

France, Emphasizing U.S. Ties, Will Sign Pact on Disney Park

By Axel Krause International Herald Tribune PARIS — Prime Minister Jacques Chirac...

CGCT, France's second-largest telecommunications company, to a joint venture led by American Telephone & Telegraph Co. of the United States.

operates similar parks in California, Florida and Tokyo. The theme park is scheduled to open in early 1992...

Italy Cites Terrorist Network

Killing Is Called Proof of French, German Links

ROME — The assassination of an Italian Air Force general confirms Italian links with leftist guerrilla groups in France and West Germany...



President Corazon C. Aquino waving to the crowd at the military academy Sunday.

Aquino Vows to Defeat Insurgents

MANILA — President Corazon C. Aquino of the Philippines said Sunday that her peace initiatives had failed and that the time had come for military victory over Communist insurgents...

Reproach By Soviet On Arms

Karpov Doubts U.S. Readiness To Scrap Missiles

MOSCOW — The Soviet Union charged Sunday that the United States was attempting to back out of a proposed agreement on eliminating intermediate-range missiles based in Europe.

Kiosk Léotard Assaults Pasqua Action

PARIS (Reuters) — Culture Minister François Léotard, distancing himself Sunday from a government anti-pornography drive, described efforts to ban certain sex magazines as an "astonishing political error."

Yugoslav Leader Vows To Put Down Dissent

BELGRADE — Prime Minister Branko Mikulic of Yugoslavia was quoted Sunday as saying that Yugoslavia would use "all means," including military, to defend the Communist political system in the face of strikes and political dissent.

From Beirut to Oil Fields, Shiites Fight Ancient Foe: Arab Order

CAIRO — From the bleak, stony hills of southern Lebanon to the oil fields of the Gulf, Shiite Moslems inspired by Ayatollah Ruhollah Khomeini's Iranian revolution have emerged as a formidable, if unstable, political force in the Middle East.

Unfamiliarity of Enemy Complicates War on Heroin Trade in New York

NEW YORK — As the Mafia's role declines, the multibillion-dollar heroin trade in New York is increasingly being conducted by criminal organizations that together sound like a United Nations of drug smugglers, including Chinese, Thai, Pakistani, Indians, Iranians, Afghans, Nigerians and Israelis.

Microsoft Corp.'s chairman, the first billionaire in personal computers, was known as "Billion Dollar Bill" for just a day.

GENERAL NEWS ■ The collapse of U.S. airline talks points to problems of "voluntarism." Page 5. ■ U.S. criticism of this refugee policy has caused a dispute with Thailand. Page 2. ■ American topics in on Page 4.

A Brash Best-Seller in Moscow Magazine Pushes Limits of Gorbachev's Openness Campaign

MOSCOW — The article in the magazine Ogonyok was a masterpiece of bare-knuckled brevity. First, it quoted Felix F. Kuznetsov, head of the Moscow branch of the writers' union, as disparaging Vladimir Nabokov, the émigré author, as anti-Soviet.

Microchip

PARIS (Reuters) — Culture Minister François Léotard, distancing himself Sunday from a government anti-pornography drive, described efforts to ban certain sex magazines as an "astonishing political error."



Vitali Korotich, editor of the Soviet magazine Ogonyok.

PARIS (Reuters) — Culture Minister François Léotard, distancing himself Sunday from a government anti-pornography drive, described efforts to ban certain sex magazines as an "astonishing political error."

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One of a series of messages from leading companies of the world appearing during the IHT's anniversary year.



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AMERICAN TOPICS

Confederate Banners Are Red Flags to Blacks

Symbols of the Confederacy abound in the South, and blacks do not like it. The Los Angeles Times notes that the Stars and Bars battle flag flies over public buildings and private residences. "Dixie" is a perennial song at college football games. Hundreds of Confederate monuments stand in Southern town squares. The inscription on the memorial in Augusta, Georgia, is typical: "No nation rose so white and fair, none fell so pure of crime."

Now the National Association for the Advancement of Colored People has called for the removal of Confederate flags flying above state capitols in South Carolina and Alabama, and from the state flags of Georgia and Mississippi. Blacks have long said the only place for the Confederate flag is in a display case in a museum. Referring to recent racial demonstrations in Georgia, a black state legislator, Frank Redding, said, "The Stars and Bars does have special meaning for the de-

scendants of Confederate veterans, and I respect that. At the same time, I don't think Jeff Davis or Robert E. Lee would be proud seeing white racists like those in Forsyth County with their bellies hanging over their belts, waving Confederate flags and Nazi swastikas."

Caroline Perkey, head of the United Daughters of the Confederacy, agreed: "It's very disturbing to us to see the Ku Klux Klan and the White Patriot Party use the Confederate flags the way they do. We wish we had some law to protect how the flag is displayed."

Short Takes

All 50 states have been bending the 55 mph (88 kph) speed limit, with the blessing of the federal government. The Washington Post reports. Federal guidelines allowing placement of roadside speed monitoring machines on hills, curves and in congested areas, rather than in "free-flow" zones of maximum speed, have in fact been legal since 1981. That

year Congress, acknowledging the difficulty of compliance, voted to allow greater flexibility in placing the monitors.

Television networks are cutting their news budgets because competition from local stations and cable television, in programming and in coverage by camera crews, is increasing, and the network news audience is shrinking. From the 1979-80 TV season to the current one, network newscasts' share of the national audience dropped to 63 percent from 76 percent, and advertising revenues shrank accordingly. CBS already has announced that it is reducing its \$300 million news budget by more than \$30 million, and similar cuts at ABC and NBC are expected.

The town doctor drives a horse and buggy in Jenks, Oklahoma. Dr. David Duncan, 40, said he wanted to get away from the impersonal "doctor in a box" image of walk-in clinics, so when he moved to Jenks, a town of 7,800, seven years ago, he bought a horse and buggy. "It was really more of

a symbolic gesture than anything else," he said. Weather and patient load permitting, Dr. Duncan hitches his horse, Tammy, to a surrey he acquired from a bankrupt circus and goes on his rounds. "He's in all the parades," too, noted the vice mayor, Dewey Anglin.

Notes About People

Ronald Reagan will continue to communicate via radio, television and possibly a newspaper column after he leaves the White House, according to U.S. News & World Report magazine. It says friends predict that Mr. Reagan will resume his pre-presidential career as a regular radio commentator and is ready to do a weekly TV commentary. He also may resume a newspaper column he wrote in the late 1970s.

Montana's Crow Indians have dismissed James G. Watt, Mr. Reagan's former interior secretary, as the tribe's attorney in a boundary dispute. Mr. Watt has a



James G. Watt

law practice in Jackson, Wyoming, specializing in cases involving American Indians. The Crow tribal chairman, Richard Real Bird, said Mr. Watt made statements that did not satisfactorily reflect the tribe's boundary claims, made other damaging concessions and neglected to keep the tribe informed of the progress in the case. Mr. Watt's wife said he did not comment on client relations.

—ARTHUR HIGBEE

TV Preacher Resigns, Says He Paid to Hide Liaison

By Wayne King New York Times Service WASHINGTON — The Reverend Jim Bakker, a leading American television evangelist, has resigned his ministry, asserting that he was maneuvered into a sexual encounter in 1980 and subsequently blackmailed.

Mr. Bakker is a protégé of the Reverend Pat Robertson, a prominent television evangelist who has said he is considering a 1988 presidential bid.

Mr. Bakker has become one of the nation's most prominent broadcast evangelists since he assumed the spiritual and financial leadership of the PTL Club of Fort Mill, South Carolina, a decade ago. He has repeatedly drawn the attention of federal investigators because of his fund-raising techniques, which yield more than \$100 million annually.



Tammy Faye Bakker and Jim Bakker on their talk show.

In a statement delivered Thursday to The Charlotte Observer, a North Carolina newspaper, Mr. Bakker said, "I sorrowfully acknowledge that seven years ago, in an isolated incident, I was wickedly manipulated by treacherous former friends and then colleagues who victimized me with the aid of a female confederate."

"They conspired to betray me into a sexual encounter at a time of great stress in my marital life," he said. "Vulnerable as I was at the time, I was set up as part of a scheme to co-opt me and obtain some advantage for themselves over me in connection with their hope for position in the ministry."

Mr. Bakker did not disclose the amount of money involved in the purported blackmail. The Observer reported that a lawyer for the evangelist had paid a woman \$115,000, although the source of the money was not clear. The paper said that the woman was a 21-year-old church secretary

from Oklahoma at the time of the incident in December 1980. The Observer said that she acknowledged that an incident had occurred but that she said there had been "no blackmail, no extortion."

Mr. Bakker's attorney, Norman Roy Grutman, said, "The reason Bakker stepped down was that a rival of his had seized upon that and was hoping to make use of that as an instrument to take over" the PTL ministry. Mr. Grutman would not identify who was attempting a takeover.

Mr. Bakker, who was born in Michigan, and his wife, Tammy Faye, have for a decade been co-hosts of a daily religious talk program now called "The Jim and Tammy Show," distributed to several hundred stations around the country through the PTL network.

On March 6, Mrs. Bakker, who was often moved to tears on the program, disclosed on the show in a videotaped appearance from California that she was undergoing treatment at a Palm Springs clinic for drug addiction.

Since Mr. Bakker took over the then-modest PTL ministry in 1974, the success of the fund-raising and the Bakkers' ostentatious way of life drew criticism and scrutiny, although inquiries by the Federal Communications Commission and the Internal Revenue Service found no cause for legal action.

On one occasion, when the Internal Revenue Service questioned bookkeeping practices that left \$13 million in PTL revenue incompletely or totally accounted for, Mr. Bakker suggested that "the devil got into the computer" used for record-keeping.

His leadership of the PTL ministry will be assumed by the Reverend Jerry Falwell, founder of the conservative lobbying group Moral Majority.



Robert Preston

Robert Preston, U.S. Stage, Film Actor, Dies at 68

By Associated Press SANTA BARBARA, California — Robert Preston, 68, the fast-talking song and dance man who comedically defined River City as "The Magic Man" and won widespread acclaim two decades later in the film "Victor/Victoria," died Saturday of lung cancer.

Mr. Preston proved his gift for comedy in Broadway revivals of "Twentieth Century" and "The Male Animal" before his biggest hit as Harold Hill, a band instrument salesman who pretends to start a high school band.

He also starred in the plays "His and Hers" (1953), "The Tender Trap" (1954), "The Magic and The Loss" (1954) and "The Hidden River" (1957). His leading film roles included "Beau Geste" (1939), "Dark at the Top of the Stairs" (1960), "How the West Was Won" (1963), and "Victor/Victoria" (1982), in which he played the homosexual confidante of Julie Andrews.

Other deaths: Arch Oboler, 79, who enthralled listeners with his tales of suspense and horror in the golden age of radio in the 1930s and '40s, Thursday of heart failure in Westlake, California.

Bill Holman, 84, the cartoonist who drew the comic strip "Smoochy Stover," Feb. 27 in New York.



Alain Froux, Senior Vice President International, with Pierre Poyat, First Vice President, Commodity and Trade Finance Department.

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And while you're turning, somebody out there is making plans to grab the customers your company needs. Maybe it's already happening. A lot of companies make the news by learning about the international marketplace the hard way. Are we trying to tell you there's an easy way? Not really. Except that the easiest way is probably to work the hardest. But if you are taking foreign sales seriously, the transaction skills we've developed over the years could make life easier for you. Remember, these are the markets we grow up in. And our business keeps growing.



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INTERNATIONAL POSITIONS You will find below a listing of job positions published last Thursday under the rubric International Positions. TABLE with columns: TITLE, SALARY, EMPLOYER. Includes positions for INT'L TRAVEL MARKETING, FINANCE DIRECTOR, EXPERIENCED TRADER, DIRECTOR, EUROPEAN SALES & MARKETING.

New In... Floating Rate Notes... Fixed-Coupon... Eurobonds... (Financial data and market news)

valentino 17-19, avenue Montaigne. 75008 Paris. Tel. 4723.64.61 - 4723.64.17. A L E N (Large advertisement for Valentino clothing)

مکان من الشجر (Arabic text)

Political Fear May Delay Next Flight Of Shuttle

By William J. Broad

NEW YORK — Political pressures could delay the next space shuttle flight until after the 1988 presidential election...

They said that the remote risk of technical failure might prompt the White House to postpone the flight, perhaps until 1988.

At the same time, some experts warn that such a delay could be a devastating blow to a program that has been plagued by controversy and criticism since the January 1986 explosion of the shuttle Challenger, which killed a crew of seven.

Harrison H. Schmitt, the former Apollo astronaut and former Republican senator who was a member of President Ronald Reagan's Foreign Intelligence Advisory Board, said that pressure for a delay was unavoidable.

"It's going to be very, very difficult to convince the political animals that they should go in this political season," he said.

Other experts said, however, that the allure of a bold success in the midst of a lachrymose presidential campaign might create unusual pressure for a launching, even if technical obstacles arose.

"It depends on who's running and how they stand," said Dr. Alex Roland, a former NASA historian who is a historian of technology at Duke University.

He said that if Vice President George Bush were trailing in a race for the presidency, "and the whole campaign looked lachrymose, turned by an administration that had lost its vitality, there might be a strong incentive for some dramatic achievement reminiscent of Reagan's early days in office: the can-do, get-America-moving ethos."

Barbara E. Selby, a public affairs official at the National Aeronautics and Space Administration in Washington, dismissed the idea that politics might intrude.

"Obviously, around here, the only reason we would delay or speed up a mission is for technical reasons," she said.

Fueled by the debate over politics are new delays in completing the extensive repairs that were undertaken after leaks in the seals on a booster rocket caused the Challenger explosion.

Although the official goal of NASA is to launch the next shuttle, Endeavour, by the end of this year, some officials say that the chances of launching the space vehicle and their booster rockets have dimmed to a slim chance.

Rather than permitting the launch to proceed, they say, the White House might postpone the endeavor out of fear of a serious failure in flight. Such a move would touch off another national trauma, with new rounds of charges and countercharges over responsibility, they said.

Political risks are also seen by some NASA officials, according to Aviation Week & Space Technology.

It recently quoted anonymous space agency officials as saying that a target date in late 1988 "would force influential Reagan administration officials to push for a further delay until after the November 1988 presidential election to avoid any chance that shuttle flight problems could affect Republican Party presidential chances."

Mr. Schmitt said that delaying the launching until after the election would not necessarily hurt the space agency, so long as its own technical judgments remained objective.

Some experts said that NASA was already so shaken by its loss of autonomy that new political intrusions could permanently damage agency morale. Oversight groups and Congress are investigating the agency's every move, they said.

Joseph J. Trento, author of "Prescription for Disaster: From the Glory of Apollo to the Betrayal of the Shuttle," said: "NASA is at its wit's end. That kind of pressure would be the death blow."



Midori Fujimoto, a Hawaiian relative of the astronaut Ellison S. Onizuka, placing a lei at a memorial honoring the seven killed in the Challenger explosion Jan. 28, 1986. Mr. Onizuka and the shuttle commander, Francis R. Scobee, are buried at the granite marker, which was dedicated Saturday. A plaque bears a likeness of the shuttle and each astronaut.

A U.S. Show of Force in Central America

By Richard Halloran

WASHINGTON — The United States will conduct its largest Central American show of force and training exercise in May, when 30,000 servicemen and women will be deployed, military officials said.

The show of force will coincide with the "spring offensive" that U.S. officials have said the Nicaraguan rebels plan. The rebels, known as contras, have sanctuaries in Honduras but have begun operating inside Nicaragua, the officials said Saturday.

The exercise, code-named Solid Shield, is intended to simulate a U.S. response to a request from Honduras to help fight Nicaraguan forces, the officials said. The Reagan administration has already drawn up contingency plans for such an operation, officials here said.

Included in the U.S. maneuvers, the military officials said, will be a simulated evacuation of the U.S. naval base at Guantanamo in Cuba. That aspect of the exercise assumes that Cuba would retaliate against the United States for an attack on its allies in Nicaragua.

Most military drills in recent years have featured reinforcement of the Guantanamo garrison.

As with other shows of force in the last four years, the maneuver in May is intended to deter the Sandinista government in Managua from exporting its leftist ideology by maintaining what American officials have called a "continuing

presence" in Honduras and the Caribbean.

Politically, the maneuver may influence the attitude of Congress on the issue of continued military aid to the contras. Senior administration officials have repeatedly contended that U.S. forces might be called on to fight in Central America if the contras fail to defeat the Sandinistas.

The administration won a narrow victory in Congress last week when a move to delay \$40 million of this year's \$100 million in aid to

the contras was defeated in a close vote. The administration's prospects for its request for another \$105 million in aid next year remain in doubt.

The president of Nicaragua, Daniel Ortega Saavedra, citing the extensive U.S. maneuvers, has accused the United States of threatening to invade his country. The Reagan administration has denied that. The Reagan administration has long accused the Sandinistas of aiding the leftist insurgency in El Salvador.

The exercise will also test the ability of the U.S. Army, Navy, Marine Corps, Air Force and Coast Guard to mobilize and operate together in a large maneuver, the officials said. In earlier drills, the main training objective has been to familiarize U.S. troops with the terrain and climate where they might have to fight in Central America.

Operation Solid Shield will be conducted in Honduras, the Caribbean, the island of Vieques off the eastern point of Puerto Rico, and the Marine base at Camp Lejeune, North Carolina, the military officials said. Drills at Vieques and Camp Lejeune will simulate actions in Honduras without burdening that nation's limited airfields, ports and roads, they said.

A brigade of 3,000 helicopter assault troops from the 101st Airborne Division at Fort Campbell, Kentucky, and an amphibious unit of 1,800 marines from Camp Lejeune will make a combined air and sea landing in Honduras, the officials said.

The officers said the ground forces, totaling about 5,000 soldiers and marines, will be the largest ground combat force to have been deployed into Honduras since training exercises for U.S. troops began there in 1983.

But they said the soldiers and marines would remain in Honduras for only a few days because the main point of the exercise was to mobilize and move them rather than to have them operate there.

At Camp Lejeune, two battalions of 1,500 paratroopers from the 82d Airborne Division at Fort Bragg, North Carolina, will join an amphibious brigade of 5,000 marines for a combined mock assault there. A similar exercise will be mounted at Vieques, they said.

At sea, navy warships centered on an aircraft carrier will be joined by cutters from the Coast Guard that are normally on station searching for drug smugglers in the Caribbean.

Ex-CIA Chief Hospitalized

WASHINGTON — The former CIA director, William J. Casey, who recently underwent surgery for a brain tumor, was readmitted to Georgetown University Hospital for "reevaluation," a hospital spokeswoman said Friday. Mr. Casey, 73, was admitted to the hospital in December just as he was to be interrogated by a congressional committee investigating arm sales to Iran. He resigned Feb. 2.

Robert Preslin U.S. Stage Actor, Dies at 84

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Collapse of U.S. Flight-Delay Talks Points to Problems of 'Voluntarism'

By Reginald Stuart

WASHINGTON — Airline industry talks over easing flight delays at major U.S. airports this summer have collapsed, providing an example of how "voluntarism" works in the U.S. government's post-regulation era.

Officials of the Federal Aviation Administration, which has been supervising the discussions that began March 16, recessed the talks Thursday until next month.

The move came after several major airlines refused to volunteer more schedule changes at the Chicago and Atlanta airports, the first and second busiest in the United States, and balked at making changes at the Dallas-Fort Worth airport.

The unexpected end to the talks cast doubt on whether the spreading out of arrivals and departures in airport rush hours would occur in the busy summer travel season.

In the talks last week, the carrot-and-stick approach the government used in 1984 was absent. Then, the government forced airlines to negotiate among themselves over arrival and departure hours during times of heavy congestion or face imposition of a schedule by the Department of Transportation.

This time, the agency simply proposed and then granted antitrust immunity to the industry for the purpose of conducting voluntary discussions.

Also absent was the host of influential U.S. officials who showed up at the start of the 1984 talks to impress upon the carriers that their deliberations were being watched by a traveling public irate over a summer of delays. This time, an assistant secretary of transportation was the highest-ranking official to appear with a lecture on what the public expected.

Against that background, it became apparent within hours after airline and federal aviation officials began their negotiations last week that the odds were against an accord. Instead, the talks produced confusion for the public and political embarrassment for Transportation Secretary Elizabeth H. Dole.

The fact that the number of major airlines has been nearly halved by industry mergers ended by the administration in the 30 months since the last talks did not

seem to make the government's work any easier. Nor was the government helped by the fact that this time it sought less than half the 1,300 schedule changes it secured at the 1984 talks.

Those companies that came to play hardball played hardball, realizing the government had weakened its own hand before the game had started.

Each day, as federal aviation officials began polling participants, they found that many of the smaller carriers serving the airports of concern did not bother to show up for talks or had left before they had ended.

There was a feeling among some major carriers that air-traffic delays were not a problem and that the discussions had more to do with politics. The absence of key players throughout the exercise caused the talks to unravel.

As talks focused on the scheduling problems of Chicago, Atlanta and Dallas, the U.S. representatives found themselves lacking the clout needed to break stalemates

and on the defensive about many of the concessions they were seeking.

While U.S. officials asserted that many of the airlines' proposals for schedules for Atlanta and Dallas were unworkable, representatives of Delta Airlines and American Airlines fired back with challenges to the validity of the U.S. demands.

Huddles, debates, intermissions to regroup — nothing seemed to yield the concessions from American Airlines that would have sealed a plan for Chicago's O'Hare International. The same was true for Delta which, after a few concessions, refused to budge on Atlanta's Hartsfield International. When it came to Dallas-Fort Worth, neither American nor Delta would offer any changes.

By midday Thursday, with Eastern Airlines the only major carrier to have volunteered substantial concessions aimed at breaking the Atlanta stalemate, frustration set in among the U.S. officials.

Sensing that the carriers knew they had beaten back a plan they felt was ill-conceived, the U.S. team accepted the concessions that had been offered, folded its tent and retreated until April 10, when discussions are to resume.

NEWS ANALYSIS

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Consolidated Statements of Condition (in Thousands)

Table with columns: Assets, Liabilities and Stockholder's Equity, December 31, 1986. Rows include Cash and demand accounts, Interest bearing deposits with banks, Trading account assets, Federal funds sold and securities, Loans, net of unearned income, Allowance for possible loan losses, Loans (net), Other assets, Investment securities, Premises and equipment, Total assets. Also includes Non-interest bearing deposits, Interest bearing deposits, Borrowings, Other liabilities, Deferred income, Minority interest equity, Common and Preferred Stocks, Reserves, Retained earnings, Total stockholder's equity, Total liabilities and stockholder's equity.

Consolidated Summary of Results (in Thousands). Year ended December 31, 1986. Rows include Earnings before income tax, Income tax, Consolidated net earnings, Minority interest, Controlling interest, Consolidated net earnings.

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Herald INTERNATIONAL Tribune

Questions Won't Help

Anyone wondering whether Ronald Reagan is physically fit, reasonably alert and well attended by his new White House team can take some reassurance from his news conference Thursday night.

Unbelievably, he has not fully learned that he was in fact trading arms for hostages. Explanation? He sold arms to Iranian middlemen and did not deal directly with the kidnappers in Beirut.

Pay Attention to Europe

The Soviet Union is churning with change, the United States is hobbled by scandal and Europe's leaders are itching. They see important possibilities in Mikhail Gorbachev's reforms.

deployment, European leaders were already sounding uncomprehendingly unanimous in their displeasure. No wonder some balk, for the moment, at the potential U.S.-Soviet deal to eliminate medium-range missiles in Europe.

Chips Are Real Trouble

The semiconductor case is trade policy at its most difficult. Unlike steel and autos, it does not involve an industry that has made large and clear mistakes.

continued to sell below it. The U.S. Commerce Department has been sitting through the evidence, which apparently tends to support the American protests.

Other Comment

Reagan's Crisis Isn't Over President Reagan's press conference last week was the usual shambles.

Vice Admiral John Poindexter could destroy the Reagan presidency. Mr. Reagan's case, as far as it is possible to discern it from his words, is this: He heard about the arms shipments some time before or after they happened.



OPINION

A Legacy Of General By the Sea

By Jim Hoagland

ATHENS — It is surprising to come back and discover how unpopular the United States is in Greece, a nation that has shared and shaped the American experience more than most.

The Presidential Shop Is Reopening for Business

By David S. Broder

WASHINGTON — The White House has repaired the damage from the Iran affair explosion and reopened for business.

There is a genuine chance that the improbable alliance of Ronald Reagan and Dan Rostenkowski, which produced the tax reform measure of 1985-86, can be revived with notable results in such vital areas as trade legislation, welfare reform and catastrophic health insurance.

There is a genuine chance that the improbable alliance of Ronald Reagan and Dan Rostenkowski, which produced the tax reform measure of 1985-86, can be revived with notable results in such vital areas as trade legislation, welfare reform and catastrophic health insurance.

ki faces Democrats who, encouraged by Speaker Jim Wright, want to go much further than the limits Mr. Reagan has set.

Unnecessary Bravery, With Baloney

By James Reston

WASHINGTON — You have to admire President Reagan's bravery at his news conference last week, but you do not have to swallow his blarney.

logue of presidential misstatements, evasions and downright distortions with few chances to get the president to keep the record straight.

News conferences prove nothing, except the president's ability to get around, with their red carpets and jumping-jack reporters and instant analysis on television of mysterious presidential "explanations," they are a poor way to gather news, and a hopeless way to get at the truth.

Swords Into Plowshares: Toward U.S.-Soviet Talks

By Seymour Melman

NEW YORK — Directors of institutes of the Soviet Academy of Science, officials of the State Planning Commission and a deputy foreign minister have assured me that it is now the policy of the government and of Mikhail Gorbachev to support planning for conversion from military to civilian economy.

year ends, both sides are to present papers on problems of converting military-oriented factories, laboratories and bases to civilian work.

version will, I think, encourage disarmament negotiations. And conversion could open major opportunities for economic development in both countries, as millions of skilled minds and hands, and large capital resources, were applied to civilian tasks.

acterized by a degree of straight talk and cooperation from my hosts that was unprecedented in my experience.

LETTER TO THE EDITOR

The Press in Sweden

I agree with some points made by Richard Reeves in "Sweden's Press: So Free but So Docile" (March 11). However, in his eagerness to portray Sweden as a well meaning welfare state soft on terrorism and with a self-disciplined press, Mr. Reeves either tries to make a good story look better or has bad sources.

eight-year prison term, with weekend stays at home. A long-term inmate may, in some cases, go outside during weekends when three months of his sentence remain.

1912: 'O Shakespeare!' NEW YORK — While the man who signed himself "Father" in a recent letter to the Flushing Journal does not exactly want Shakespeare rewritten, he thinks the Board of Education should search the dictionary for synonyms for some words in "The Merchant of Venice."

1937: Belgian Neutrality LONDON — King Leopold of Belgium arrived in London this evening (March 22) on an important three-day "private" visit, in course of which he hopes to win British recognition of his new policy of complete neutrality, designed to keep Belgium out of the next big European war.

GRACE:

(Continued from first page) said David P. Barrett, a spokesman for the American Friends Service Committee, which is sponsoring the program. "We are pleased to have a Greek presence at the Olympics," he said. "It is a sign of the country's progress and a reflection of the friendship between the two nations."

Triple Wi

NEW YORK — The U.S. State Department has announced that it will be sending a team of experts to investigate the cause of the explosion that destroyed the World Trade Center's twin towers on Sept. 11, 1973.

ARAB

Table with financial data: Consolidated Balance 31 December 1986, Assets, Total assets, Liabilities, Total liabilities, Capital resources, Shareholders' funds, Total capital resources, Total liabilities and capital.

هكمان الأجر

A Legacy of Generals By the Sea By Jim Hoagland



Claude Montana's collection: short and hippy.

Montana Scores With Short 'Hippy Suits'

By Hebe Dorsey
International Herald Tribune
PARIS — After a weekend in which fashion soared in Paris, the silhouette for next fall and winter has become clear: short and hippy. Claude Montana, who had a superb collection, invented a new phrase for it — "hippy suit" — which defined his long jackets, gently rounded over hips.

The center of interest has now moved from the shoulders to hips and legs. The short look also dominated the evening scene and looked young and attractive. Puffs, peitcoats and bustles were rampant. The look often meant flared skirts under a strongly belted waist. Parachute-shaped, important, wide-spread collars were thrown over shoulders. White shirts and black skirts were everywhere, little-girlish here, sophisticated there. The laced-up booties of the 1950s, complete with rolled-up socks, made a comeback. Cropped boleros emphasized waists and hips. Fur coats and fur touches were important in these collections, whose designers often have a fur license. In the case of Karl Lagerfeld, it was even more pointed. Lagerfeld is backed by the Cora-Revillon group, which owns Revillon furs. He showed a small collection of fur coats and no end of fur accents.

Montana maintained his leading position in French ready-to-wear. In a well-edited, strongly designed collection, he made it clear that while he may have had some production problems in the past, there is nothing wrong with his talent. His newly forged association with Gruppo Finanziario Tessile should be a felicitous one. Montana has also cleaned up his act. He has eliminated his former theatrics as well as emphatic hairdos that gave his show a contrived feeling. Montana was able to handle both long and short. But short, once again, was a winner. Long coats over jumpsuits looked glamorous, and Montana also showed a lot of pants. But this was a consistent collection, built around the same, strong theme: a high waistline, fully rounded hips and soft shoulders framed by huge collars. After favoring giant, overwhelming Valkyries for many years, Montana has now softened his tune. The result was quite pretty — a new word to apply to Montana — especially all the white shirts tucked into high-waisted pants and skirts. The hip suits, which opened the show, came in bright colors: red, purple, green, yellow. There was also black leather, leather being a Montana specialty. Then came a series of equally brightly colored short coats over black pantyhose. Big, funnel-shaped collars or huge hoods framed a

small head. Later on, the palette focused on black and white. Montana also showed some interesting khaki mink coats. As usual, Montana did a fantastic job with leather and continued the intricate lattice work he started in his menswear collection two months ago. For Karl Lagerfeld, who recently severed ties with Bidermann Industries, it was a new and much-awaited beginning. The results were not as good as expected, but then this is only Lagerfeld's first season with the Revillon group. The good news is that Lagerfeld's backers are not scrapping, and this collection had a luxurious ring. The clothes were beautifully made and the evening wear was up to Lagerfeld's old standards. An ebullient designer, Lagerfeld had too many options, which made this collection confusing.

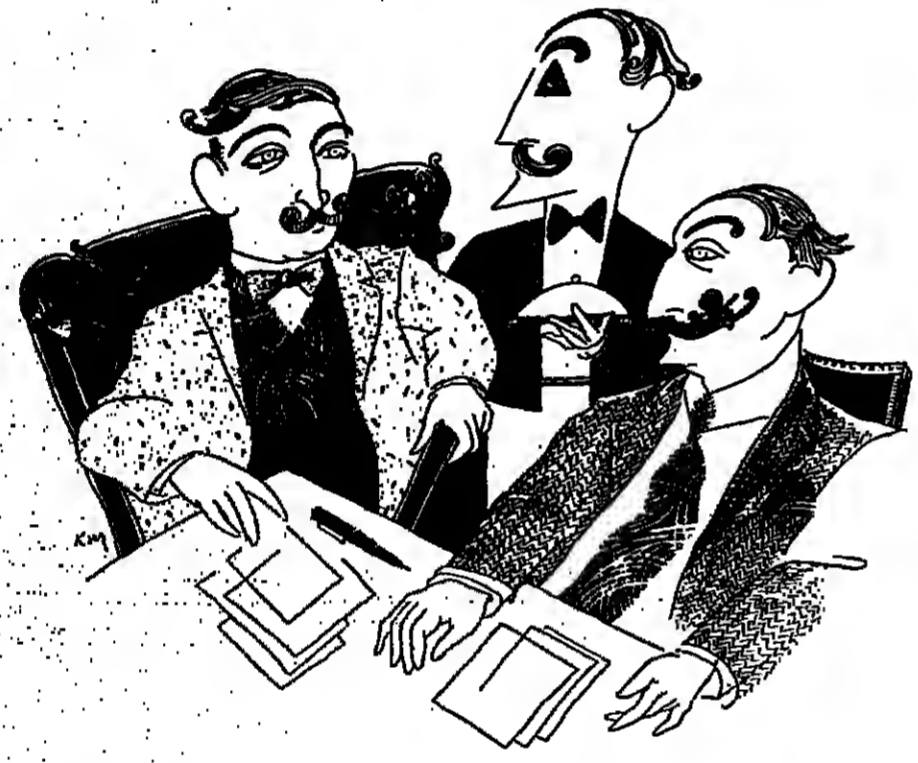
The best was all the short clothes, especially the swagger coats, the colorful knits and the pretty bustier dresses over petticoats. Chiffon evening gowns, with skirts dipping at the back, had Lagerfeld's magic hand. Jean-Paul Gaultier used to be a deliciously funny designer whose spoof shows were frankly refreshing. Unfortunately, it has all gone to his head and his performance last Friday was abusive. After keeping people out in the cold for hours, he showed a collection that could hardly be seen because models walked on huge runways and were followed by only a faint ray of light that disappeared the minute they walked off. Gaultier's mild jokes have soured. His vision of womanhood has become a mean caricature, a study in the grotesque. One wonders if this designer likes the women he designs for. His deliberately vulgar Happy Hooker look and sex-shop approach was offensive. Gaultier explained in his press release that his new clothes were futuristic. In fact, a good part of it, especially the thigh-high silver boots and minis were quite retro, reeking of the 60s and Brigitte Bardot. As for his Tartan theme, it was lifted straight from London, a city that the street-smart Gaultier often visits for inspiration. His most interesting work was his hippy look, which he built with rubberized and stiff fabrics.

DISNEY: Paris Park Will Be Built

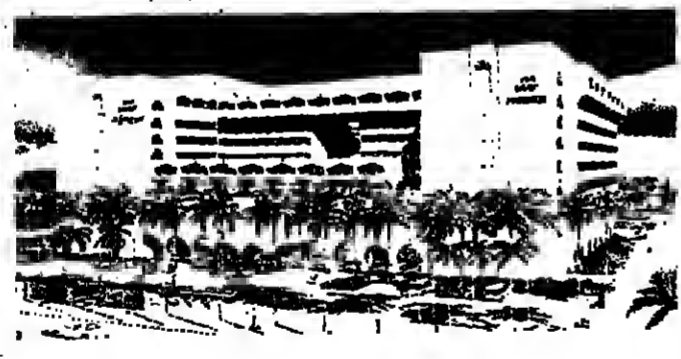
(Continued from Page 1)
park, reflecting fears that American themes would threaten French culture. Mickey Mouse is simply international and cannot be converted or crossed with any French character, like Asterix," said Robert J. Fitzpatrick, president of the company that will manage EuroDisneyland, on Sunday. "But there will be French and European attractions we are now working on" that "we call the dream phase," he said. Although English and French will be used at the theme park, French will be predominant, said Jean René Bernard, the French negotiator in the project. He said that France had obtained other concessions from Disney, including the depiction of scenes from French history. Among the other themes being considered are the discovery tales of Jules Verne and West European immigration to the United States. Mr. Bernard said that the U.S. company also agreed to turn over to France 100 million francs in the first year as a security, and that it would refrain from building another theme park in Western Europe in the near future. Opposition from residents in the site area at Marne-la-Vallee also has subsided, French officials said. Farmers, timber workers and local businessmen were angry over the failure of the French national and local authorities to keep them informed about a project that will transform their lives once it gets under way. "There is a truly national consensus about EuroDisneyland

now," said a spokeswoman for the Ile de France regional council, whose president, Michel Giraud, will also sign the agreement. She cited a survey commissioned by the region and completed last month that showed that 85 percent of those surveyed throughout France, in all major political parties, approved of the project primarily because of the creation jobs. Mr. Chirac's announcement Saturday said that an estimated 20,000 jobs would be created during the construction phase, rising to 30,000 once the projects are functioning, including the theme park. The unemployment rate in France is at slightly below 11 percent of the country's work force of 24 million, and rising. Final agreement on financial issues and a corporate structure was reached only recently, French and U.S. negotiators said. The talks began in August 1985 under France's previous Socialist administration following Disney's rejection of a competing site near Barcelona. The capital requirements of the theme park and surrounding projects, excluding hotels and transportation facilities, amount to about 10 billion francs. Of that sum, about 2.5 billion francs represents common equity, which will be owned by an international company in which Walt Disney will hold a minimum 16.67 percent share. The remaining majority interest will be held by investors in France and other European Community countries. "No deals with outside, interested parties have been made," Mr. Shapiro said. "But we have had lots of interest expressed."

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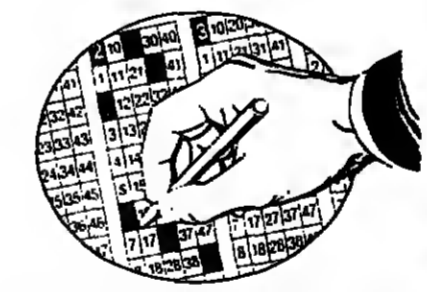
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ADVERTISING SECTION

From Pearls to Petroleum

During the 'roaring twenties' when Europe was in an upswing whirl of prosperity, Kuwaiti traders came to London and Paris to sell pearls, the only resource which they had to bargain. Those early travelers gained an insight into Europe and a different perspective on the world at large, an advantage which they were quick to develop in the years ahead. Investment in education has also played a key role. Today the traders are back, but this time with "Q8" road tankers and gas stations.



Sheikh Ali Jaber Al-Ali Al-Sabah, Managing Director, Marketing, Kuwait Petroleum Corporation, showing new "Q8" delivery trucks in Europe.

Kuwait is different from the other Arab Gulf countries and has always had to depend on its own initiative to survive economically. Those early pearl traders and seafarers knew the way of the world, something their families today have never forgotten. Now the Kuwaitis are trading petroleum in Europe, produced from their own wells, refined in their own plants and sold at their own gas stations in Europe. Oil, their one resource which will last well into the next century, has replaced seafarers as the way of the world. In addition they now have the money from the oil, money which was employed with considerable wisdom during the 1950s and 1960s.

Sheikh Ali Jaber Al-Ali Al-Sabah, Kuwait Petroleum Corporation's marketing chief and a member of Kuwait's ruling family, believes that his country's investment in education during the early days just prior to and during independence was one of the wisest decisions made. It is now paying dividends in terms of human resources.

"If we had not been better educated I don't know what would have happened to this country," says Sheikh Ali, who studied in the United States and Lebanon. He also believes that because his country had been blessed

with oil wealth far beyond its own needs, it has a moral commitment to make its surpluses available to the rest of the world.

One of the most astute moves by the Kuwaitis was the creation of the Fund for Future Generations into which a percentage of all oil revenues is automatically invested. This fund is now said to total more than \$37 billion. As its name implies, the fund is a hedge against the day when the oil runs out. Oil is now being produced at just under one million barrels a day, compared to about 1.4 million b/d during 1986. According to Kuwait Petroleum Corporation (KPC) officials, output could be boosted anytime to 2.5 million b/d.

Sheikh Ali has been blazing a trail for Kuwait's oil products in Europe, where gas is now being sold under the brand name of "Q8." KPC now has around 3,000 gas stations throughout continental Europe. KPC has also acquired, as from last October, 900 gas stations in the U.K. through its acquisition of Hays Petroleum. It has also just announced an agreement to acquire the U.K. gas station network of Ultramar, which, when the agreement is completed, will add a further 463 gas stations to the network. Sheikh Ali hopes to see more outlets

throughout the rest of Europe in the not-too-distant future, in addition to its refineries in Holland and Denmark.

"We would like to be No.2 or No.3 in all Europe but we've got a long way to go yet," says Sheikh Ali, who sees KPC's long-term policy as one of partial integration "because there will always be third party sales of oil." Another reason is that competing on the international downstream market also means competing with major oil companies, "and that requires the availability of a certain amount of human effort. We also have to have manpower resources for all our European projects."

Following the oil from the well to the gas tank and increasing its added value throughout the whole downstream process is KPC's key strategy. It has the only integrated Arab oil industry and holds the second-greatest refining capacity after Saudi Arabia. But it is also looking for more holes in the ground, or under the sea, from which to extract the basic resource.

Exploration and exploitation is now carried out by Kuwait Foreign Petroleum Exploration Company (KFPEC). Mr Mahmoud A. Al Rahmani, deputy managing director responsible for

planning and development, again reiterates the point about Kuwait's oil skill base.

"Our aim now is to open up new avenues for training more Kuwaitis in the oil industry," said Mr Mahmoud, who believes that Kuwait's determination, financial capital and technical know-how are essential ingredients in KFPEC's strategy for joint ventures overseas.

Although drilling and operating costs have fallen dramatically to about \$20,000 a day or less compared to \$50,000 to \$60,000 a few years ago, KFPEC has decided to concentrate its efforts on "more mature areas" and to withdraw from the high-risk projects. Last year was mainly one of consolidation and Mr. Mahmoud said the company is trying to improve its exploration portfolio and forget the "one-shot" opportunities.

One of KFPEC's most successful ventures has been in Tanzania. More recently it has made a major gas find with Arco in the South China Sea. Currently estimated at about 3 trillion cubic meters, it is one of the biggest finds in the region. Other projects are being developed in Indonesia, Australia and Egypt. This year KFPEC will be participating in about 20 drilling programs worldwide.

(Continued from page 9)

for interest-free loans and re-scheduling spread over a period of up to 15 years.

A Central Bank spokesman says: "When you consider the measures which we have introduced for credit settlements, I don't think any other country in the world could have brought in such measures and safeguarded the interest of bank depositors and shareholders, who will not suffer any loss whatsoever."

Under the terms of the agreement, every debtor will in fact pay back according to his means and will undergo a detailed investigation of his assets, both at home and abroad. False, or misleading, declarations will incur legal action and severe penalties. In addition, the Central Bank is encouraging the commercial banks to increase their profitability and to build up reserves in order to combat any future bad debts.

The banks have been given a maximum of two years from last August to apply the Settlement Program. A special banking committee has been established to investigate difficult cases, such as those that might involve contractors and real-estate companies. Another committee will act as a court of appeal. Two special courts have been established to deal with debtors who make false declarations. Swift justice is promised.

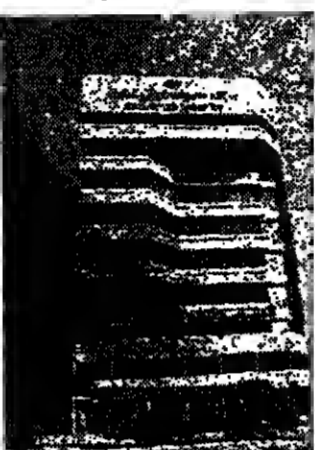
So far everything appears to be going fairly smoothly. The governor of the Central Bank, Sheikh Salem Abdul-Aziz Al-Saud Al Sabah, comments that: "There has been a very encouraging response to the program and 76.7 percent of the people have declared their assets following the first call from the banks. Of those who have responded, about 78.2 percent have in-

fact completed their applications under the Settlement Program."

Sheikh Salem took over as governor last September. Nobody wants to rock the Kuwait money boat any longer and Sheikh Salem, aged 36, an economics graduate from Beirut's American University, and a member of the Kuwait royal family, is determined to make certain that Kuwait banks maintain an even keel. Banks will be more closely supervised, they will be encouraged to diversify and generate more fee-earning services, and they must make profits and distribute part of their income.

Without exception, the commercial banks welcome the Settlement Program and the new measures. The injection of capital in one form or another from the Central Bank has boosted their 1986 balance sheets, which are now being presented for approval. At the end of October, total commercial bank assets stood at KD 9.6 billion (\$34.7 billion).

Mr. Abdul Salam A. Al Awadi, deputy chairman and managing director of Alahli Bank, agrees that on the



Securities group headquarters.

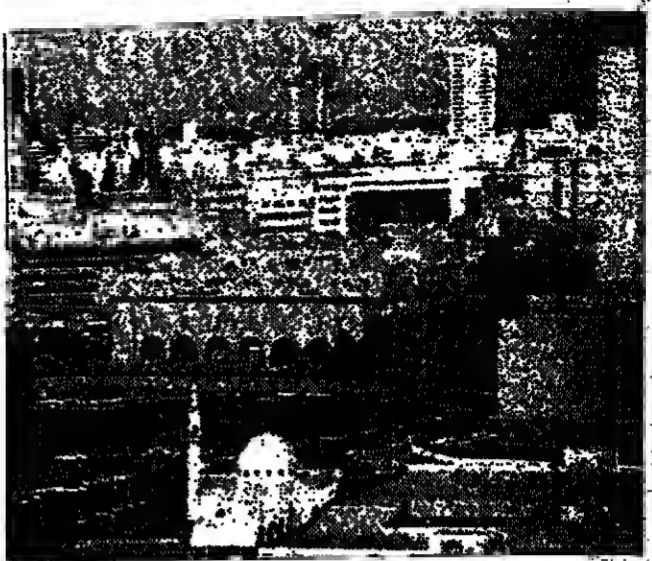
whole the commercial banks will have done better last year. "Of course we are now feeling more secure," he says. "The settlement program is unique for this re-

gion even if you compare it on an international basis. The state is supporting all Kuwaiti banks and has committed itself to maintaining their security and that of individuals. We have started implementing the program with very encouraging results to date."

Mr. Abdul believes that the measures applied to

puts an end to the Souk al Manakh crisis. The government is eager to reactivate the economy. Most importantly, we have all got our confidence back."

Speaking for all the banks, Dr. Farid Ahmad Kalendar, general secretary of the Kuwaiti Banks Committee, sums up the present position: "Now that we have



Kuwait City center with towers in background.

declaration of assets will be strictly followed. "If a client is not honest with us, he will really get hurt, not just for a couple of years, but for at least ten years."

Mr. Fahad Abdulrahman Al Bahar, chairman of the Bank of Kuwait and the Middle East, has a slightly more cautious view. He does not believe that everything can be solved right away. "The program is going well and the results are encouraging," says Mr. Fahad. "I do not think we could have got a better deal anywhere else. Now that all our troubles and crises have been brought together, we have an opportunity to solve all these problems in one go."

Mr. Mohamed Aqeel Tawfiqi, acting general manager of Burgan Bank, which is majority-owned by the government, is now very optimistic: "We needed a program like this which almost solves most of the issues and

implemented the government's program, we are in good shape."

Kuwait has no doubt learned a bitter lesson from what, in hindsight, most financiers agree was an inevitable crisis. But only an Islamic country with the economic strength of Kuwait, developed since the first oil revenues started flowing in substantial quantities 30 years ago, could have coped with such a catastrophe — and emerged with its financial clout intact. The only blot on the horizon, and it is uncomfortably close, is the continuing Iran-Iraq war, which, as well as being a drain on some Arab resources, has disrupted the local export-import trade.

"When that war is over it will put the heart back into our traders and especially the contractors," says Commercial Bank's Raed Al Ahmad.

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ADVERTISING SECTION

ADVERTISING SECTION

Post-Settlement Banking

Now that the Government rescue package is being implemented, Kuwaiti banks are once again getting down to the serious business of making money and are heeding the Central Bank's edict to improve their balance sheets.

One year ago bankers had nothing much to talk about except doom and gloom. Today the situation could not be more different and there are signs of relief all round the banking towers of Safar and Sharq.



Mr. Ibrahim S. Dabdoub, chief general manager and chief executive of the National Bank of Kuwait.

The one exception during the turbulent eighteen months has been the National Bank of Kuwait (NBK). Its happy camel logo is no mirage. NBK, formed in 1952 by a group of merchants, reflects the growth of Kuwait during the beady years of the petrodollar era at the start of the 1970s. What has made NBK different was that it recognized as early as 1980 that the post-1974 oil boom would eventually slow down.

"The challenge to the entire financial system in the Gulf and to commercial banks in particular was not hard to predict," says Mr. Ibrahim S. Dabdoub, NBK's chief general manager

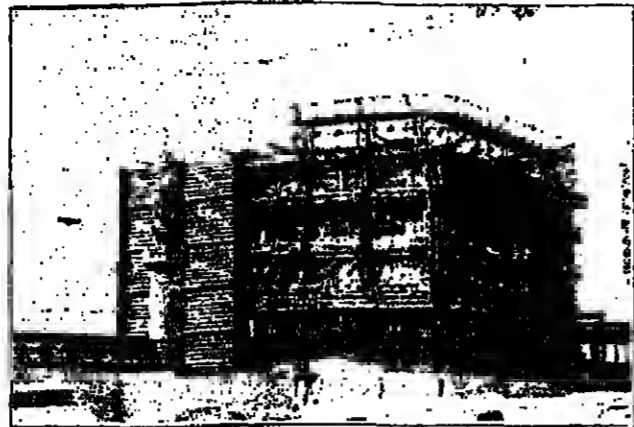
and chief executive officer. The decline in oil revenues was accompanied by a fall in government expenditure, the prime mover not only in Kuwait but throughout the Gulf. Consequently, NBK decided on a strategic business policy based on greater internationalization, a move into investment banking services and a consolidated position as a leading domestic bank.

"We are first of all a Gulf regional bank, which is very important as it means that our customer base is essentially in the Gulf Cooperation Council countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates)," says Mr. Dabdoub.

Since implementing its new strategy, the bank has grown rapidly in terms of representation in the Gulf and overseas, as well as in assets and profits. It has branches in London, New York and Singapore as well as investment subsidiaries in Geneva and London. Last year it took a controlling interest in the Paris-based FRAB Bank International, whose French and Bahrain operations have been incorporated into NBK's global network.

During the early 1980s, NBK was more prudent than most in making provision for non-performing loans. It increased its banking services and its customer base. Last year its balance sheet figures increased to \$11 billion and it paid out a cash dividend of 20 percent plus 10 percent bonus shares.

The National Bank of Kuwait's strong professional reputation is matched by its overseas growth. This, says Mr. Dabdoub, has assured it the confidence of its Gulf customers. "We talk their language. They have confidence in us as an institution



When construction work is completed this spring, the Central Bank of Kuwait will have doubled in size.

which has maintained profitability. We have a sound capital base and a stable management," adds Mr. Dabdoub, who has been with NBK for 27 years.

The bank has also taken a lead in launching new investments. A recently launched bond issue attracted \$30 million in four months and NBK is now launching Kuwait's first international equity fund.

Looking to the future, Mr. Dabdoub sees NBK acting very much as the flow base for trade finance, wholesale banking and investments between the GCC countries and the rest of the world.

Product innovation has also played an important role at Gulf Bank, whose strong international presence includes branches in New York, Singapore and a representative office in London as well as 30 domestic branches. It too has seen an opportunity to turn adversity into opportunity by the development of modern banking technology.

Dr. Yousef A. Al Awadi, Gulf Bank's chief general manager and chief executive officer, says that apart from putting all efforts into making the loan Settlement Program a success, the bank is

looking at new delivery systems for both retail and institutional clients and more innovative products. "The trend now is away from interest income to more fee-earning services," says Dr. Yousef, whose bank now has assets of around KD 1.8 billion (\$6.5 billion). "In terms of operational profit, 1986 was a little higher than what we had anticipated," he adds. Figures are at present with the Central Bank awaiting approval.



Dr. Yousef A. Al Awadi, chief executive manager and chief executive officer of The Gulf Bank.

The most recent product introduction is "Corporate One" — a cash management account aimed at corporate clients with large cash-flow requirements. It provides an investment and credit facility with a transaction account offered in five currencies. "Corporate One" follows the launching two years ago

The Settlement Program: Pay Little, Pay Longer

On August 11, 1986 the Central Bank of Kuwait published its long-awaited 18-page policy document on how the commercial banks and financial institutions were to deal with insolvent borrowers and non-performing loans following the stock market crash in 1982. It also outlined guarantees for the banks' shareholders and depositors. The National Bank of Kuwait summarizes the main points of the program, seen as a unique model and welcomed by the Bank for International Settlements, as follows:

"The 'difficult credit facilities settlement program' has three mainstays:

One: Guaranteeing the rights of the banks' shareholders and depositors.

Two: Allowing debtors a dignified standard of living. Three: Rescheduling non-performing loans over a period of 10-15 years, depending on whether debtors can generate regular cash flows or not.

The debt of insolvent borrowers with uncertain cash flow will, accordingly, be governed by the following guidelines:

A. The bank will provide borrowers with a ten-year loan, bearing zero interest rate, equal to the value of all mortgageable assets on the date of the settlement and to be repaid in one of three ways: liquidating the collateral, acquiring the assets by the creditor bank, or through income generated by the assets.

B. The bank shall issue a non-interest bearing promissory note, maturing after ten years, equal to the difference between the total debt outstanding and the current value of mortgageable assets.

In contrast, insolvent borrowers with regular cash flows will be subject to different settlement criteria.

One: the bank shall reschedule the outstanding debt for 15 years at the maximum interest rate of 7 percent per annum, to be repaid from the borrower's cash flow.

Two: the bank shall issue a non-interest bearing promissory note equal to the difference between the total debt outstanding and the amount rescheduled. This instrument would mature with the full repayment of the rescheduled portion of the customer's debt, with the possibility of extending its maturity in the light of any changes in the customers' financial position or cash flow.

Another bank which is expanding both upwards (into a brand new \$59 million tower block) and outwards (with a new branch in Dubai) is Alhali Bank. It has had an interest in Dubai for some time but has now become the first Kuwaiti bank to open its own full branch office in another GCC country. "We also plan to develop internationally as well as domestically," says Mr. Abdul Salam A. Al Awadi, deputy chairman and managing director. This year it is to open a representative office and investment com-

puterization has been a key element in the bank's development both domestically and abroad. "During the last two or three years the main thrust of our activities has been to upgrade our technology throughout our entire 53-branch network," says Mr. Raid M. Al Hamad, Commercial Bank's deputy general manager, says of the domestic

banking scene today: "It is all ticking like a Swiss clock and we find everything running very smoothly now."

services. This is precisely the kind of thinking which is being encouraged by the Central Bank. As for the Commercial Bank, it has gained a considerable reputation for its banking-systems technology and product development. It has a full branch in New York and its London representative office is to be upgraded to branch status in the near future. Mr. Raid M. Al Hamad, Commercial Bank's deputy general manager, says of the domestic

ing, POS (point of sale) and shared ATM (automatic teller machines) networks overseas. Through its link with Visa card, Commercial Bank already has access to some of the 10,000 ATMs around the world. It has about 3,000 Visa card holders in addition to its own autobank card, which has a circulation of



Mr. Raid M. Al Hamad, deputy general manager, Commercial Bank of Kuwait.

90,000 among its customers in Kuwait, the highest number anywhere in the Gulf.

In order to increase its fee-earning services, Commercial Bank has undergone a major reorganization of its principal profit centers and introduced a special investment desk at its New York branch for high net-worth individuals. It is now looking at possible expansion in the Far East.

(Continued on page 12)



ANATOMY OF A STAR

Our star comprises four arrowheads, each of which contain, in Arab calligraphy, two words: Commercial Bank. This is the corporate symbol of the Commercial Bank of Kuwait, famous for its pioneering approach to Middle East banking. We were the first Kuwaiti bank to establish a foreign exchange dealing room; first to introduce automated letters of credit; and first to link all branches on-line to a central computer.

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The Al Mulla Group - Kuwait.

ADVERTISING SECTION

ADVERTISING SECTION

Banking

(Continued from page 11)

pany in London. The impetus to move outwards is a reflection of the Settlement Program, which has put new life into the banks, not least Alhali. Mr. Abdul admits that the situation had been fairly dismal a year or so ago but he has since then become far more optimistic. "We now have the opportunity to diversify more internationally," he says. Last year the bank increased its capital by 25 percent through a rights issue. Its assets now stand at KD 1.7 billion (\$6.1 billion). Preliminary figures indicate a profit of KD 5.1 million (\$18.4 million), a little higher than at the end of 1985. It is planning to announce a 9.5 percent bonus share issue once Central Bank approval has been obtained.

The Bank of Kuwait and the Middle East (BKME) is expecting to announce a 10-



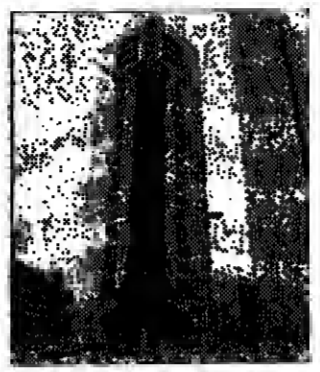
Mr. Fahad Abdulrahman al Bahar, chairman of The Bank of Kuwait and the Middle East.

percent bonus share issue. Last year it increased its capitalization by 50 percent. Mr. Fahad Abdulrahman al Bahar, chairman, expects balance sheet totals to be around KD 875 million (\$3.2 billion) for 1986, almost the same as the previous year. "I think we will be happy to see a nominal growth in profits but we won't be surprised if they are not as high as in the past," says Mr. Fahad. BKME has participation

in London's United Bank of Kuwait and the Paris-based BAI and a 50-percent interest in the Kuwait Middle East Investment Company. Unlike some of the other banks, BKME, the oldest Kuwaiti bank, is not embarking on a program of internal expansion. "We prefer to buy into a successful operation rather than establish branches or representative offices overseas," comments Mr. Fahad.

On the other hand, Mr. Mohamed Ageel Tawfiq, acting general manager of Burgan Bank, is taking the overseas line. "We are definitely planning to increase our presence internationally, either through participation or through representation," he says. Burgan, named after the first oil well in Kuwait, is majority-owned by the government. The percentage of private shares, however, is greater than that of many of the other banks.

Burgan Bank was started only ten years ago and has built up a network of 12 domestic branches. It is considering constructing a new headquarters building about two years from now. This perhaps reflects the new wave of optimism which Mr. Mohamed sees flowing through the domestic banking system after the settlement.



The New Kuwait Finance House (left) and the Alhali Bank of Kuwait, still under construction (right).

Getting It to the Pumps

Transportation is a key element in competitive pump prices at the gas station. Kuwait cuts costs by carrying refined products in its own vessels. Kuwait tanker chief Abdul Fattah Al-Bader comments on the current situation.

A worldwide boom in the tanker carrier market is predicted by Mr. Abdul Fattah Al-Bader, chairman and managing director of the Kuwait Oil Tanker Company (KOTC). "There has been no new building since 1976, so any existing tankers are halfway through their useful life and most of the older ones have been scrapped," says Mr. Abdul. Once a tanker deckmaster, he now operates a growing fleet of tankers and specialized product carriers.

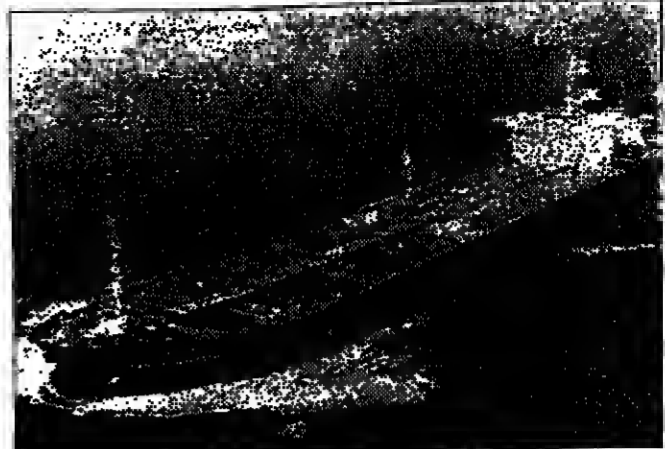
KOTC, established as a private operator in 1957 and taken over by Kuwait Petroleum Corporation in 1980 when it owned about a dozen crude and LPG carriers, scrapped much of its idle fleet when oil prices fell. It kept just enough vessels and crude carriers to service the 200,000 b/d needs of its European refineries. Now it has embarked on a substantial new building program with six \$130-million vessels on order from the South Korean Samsung yard.

KOTC's 22-strong fleet now consists of modern product carriers designed and built specially for the

country's own oil and refined products trade. Says Mr. Abdul: "We have to make our exports more viable and we try to supply the lowest cost of transportation to make our products even more competitive."

Given the highly fluctuating price of oil over the last two years, maintaining a competitive edge, especially for supplies to northwest Europe, has been a target priority in which KOTC has played a vital role. It has developed some of the world's most specialized vessels, including the first product carrier in the 120,000-ton class which can pass through the Suez Canal. It is the largest vessel which can pass fully laden through the canal. "We have set a new trend in the world by becoming the first tanker company to use Very Large Product Carriers (VLPCs) to transport clean products on a big scale," explains Mr. Abdul. KOTC is the only owner to have two 290,000-ton VLPCs (\$130 million apiece) capable of carrying a full load of four different types of refined products.

Reduced costs, tanker carrier innovation and sound strategic management have all played key roles in what Mr. Abdul describes as "a buyer's market for hydrocarbons." He adds: "We just have to trim our operational costs at every point in order to remain competitive and we must take into account



The KOTC tanker Umm Al-Maradem, built in 1981 (dwt 81283 mt).

all the changes, and possible ones to come, when we build any new ships."

By anticipating possible market developments, KOTC was able to plan its new building many years ahead of other tanker operators who had been wringing their hands in desperation at the downturn in the oil market. Now there is a shortage of carriers, especially VLPCs (Very Large Crude Carriers) because existing ones are half-way through their existing life or have been scrapped since new building stopped throughout the world twelve years ago. A year ago, says Mr. Abdul, VLPCs cost \$4 million. Now the price has risen to \$10 million and it is profitable to run almost any kind of tanker. Old ones are very costly to maintain and repair. With the boom in demand for tankers, major

yards throughout the world, especially in South Korea and Yugoslavia, are now fully booked with orders.

Another shrewd move by KOTC was to scrap all its existing commercial insurance agreements. This decision was taken after the outbreak of the Iran-Iraq war seven years ago and, in spite of the casualty figures (about 200 vessels have been damaged in the Gulf during the present conflict), it has proven to be a good move for KOTC. "During the last six years our repair bill has only been between \$2 million and \$3 million and we have saved ourselves more than \$100 million in premiums," explains Mr. Abdul.

Articles in this supplement were written by Lee Voysey.

Solar Power

Unlike most resources, the sun offers unlimited energy. And the Kuwait Institute for Scientific Research (KSIR) plans to tap it, by constructing an integrated solar-powered food/water/energy complex. "The Gulf Cooperation Council countries could save 50 percent of all their domestic power demands," says Dr. Adnan A. Al Homoud, energy engineering manager at KSIR, "if they used solar power." By far the biggest consumption of power is for cooling apartments and offices. Kuwait has now introduced new building regulations which call for thermal insulation in construction work to help reduce cooling power loads. KSIR has done considerable research into designing and constructing energy-efficient buildings as well as producing solar-power systems.

Just outside Kuwait City at Sulibah, KSIR has built a 100-kilowatt solar thermal power plant in a joint venture with a West German company. Its 56 paraboloid mirror collectors form a giant solar 'orchard.' The mirrors (they are turned upside down in the picture for maintenance) are computer-controlled and automatically track the sun.

Mr. Abdullah M. Alkandari, engineer of the project, says that the hi-tech solar collector, which points at the center of the mirror, reaches a temperatures of 800° C. Water and a chemical fluid heated in the collector are piped to the power house where steam vapor drives a turbine. In addition to making electrical power, the waste steam heat is condensed and used to produce brackish water which can be used for agricultural irriga-



Abdullah M. Al Kandari of Kuwait Institute for Scientific Research looks at underside of solar collector.

angular 'swimming pools' about 1,700 square meters in size. The ponds are filled with salt water. This forms three layers in the pond, depending on the amount of salinity. When the sun shines on the pond, its rays penetrate the different layers of water which are heated. The bottom layer, a 25-percent salt solution, acts as the hot-water storage 'bank.' Energy is extracted from this bottom layer by means of a heat exchanger and generator.

Dr. Adnan believes that solar ponds probably have the best potential to produce energy at an economically commercial rate. A pond could produce about 600 megawatts of electricity. "It really is so simple," says Dr. Adnan, who believes that Kuwait can be a world leader in this kind of development.

GIC Projects Imminent

At the top of one of the three towers which form the joint banking center sits Dr. Khaled Al Fayed, chief executive of the Gulf Investment Corporation. The GIC is funded by the six member countries of the Gulf Cooperation Council (GCC). Formerly with the Gulf Investment Bank in Bahrain between 1976 and 1983, Dr. Khaled joined the GIC after its formation in 1984.

GIC was created with an authorized capital of \$2.1 billion (\$940 million paid up so far) to coordinate and strengthen GCC investment policy among its members — and in the longer-term investments overseas. The assets of GIC, now in its fourth year of operation, stand at \$1.2 billion, a figure

due more to its success on the interbank market than to its investment in new projects.

Dr. Khaled is a cautious man who came to GIC at what was perhaps the peak of the economic downturn in the Gulf. Although GIC has examined some 72 major projects, from chicken farming to aluminum rolling mills, it has not yet made any major project decisions. At least two, however, are imminent, according to Dr. Khaled. "I am more optimistic now than I was two years ago about going ahead with some of these schemes but I have always been a little cautious and this is no new phenomenon," he admits with a slight trace of humor.

He finds it hard to understand why some bankers and financiers expect instant decisions at a time when industrial saturation has almost been reached in many Gulf countries and when oil revenues are sharply declining. "Today we have to look at stimulating new service industries, perhaps in the agricultural field or in pharmaceuticals. We know there is potential in the GCC countries, especially for export-oriented industries either petroleum based or with a high energy content," comments Dr. Khaled. "But you can't just press a button and say 'Hey, presto' and get a new industry, it is just not like that anymore."

Of the 72 projects, 14 are under active consideration (a good percentage, according to GIC) and represent roughly a \$3-billion investment. Three of the biggest projects are part of the Saudi Arabia offset deal with the United States. They are an aircraft modification center near the King Khaled International Airport in Riyadh, an aero engine overhaul facility at the same airport, and a possible electronics operation. Dr. Khaled also expects to go ahead in May or June with a wire-drawing project at Jubail, also in Saudi Arabia.

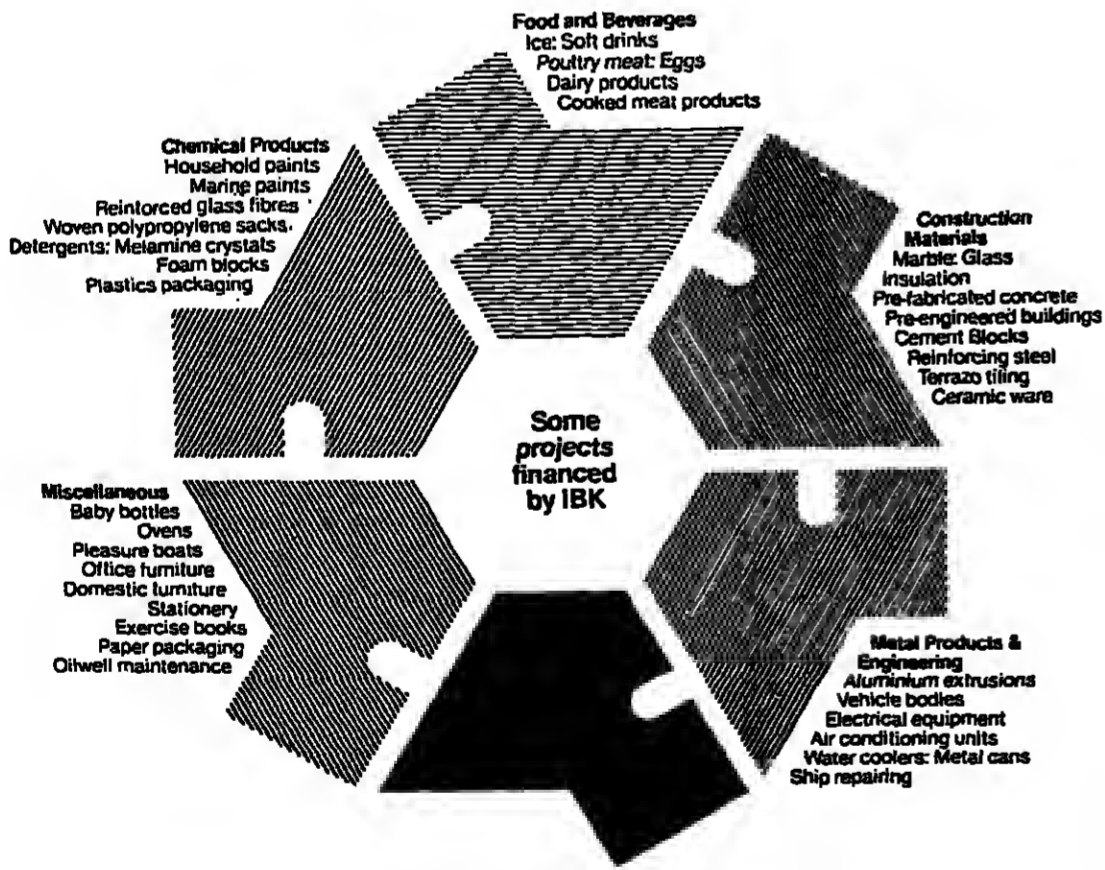
GIC's work over the past two years has also been one of self-education as well as a



Dr. Khaled Al Fayed, chief executive of Gulf Investment Corporation.

critical analysis of Gulf industrialization in general. Dr. Khaled is determined that GIC should not create any more white elephants, of which there are already several in the Gulf.

"We have spent a lot of time knocking on doors, visiting ministries, going to companies, looking at their existing problems, their marketing, finance and general policies. We have to find out whether there is too much of one thing or not enough of another, whether, say, cement is or is not being dumped from a particular country. All kinds of questions arise to which we must try to find the answers before we can agree to a new project," argues D. Khaled, whose maxim seems to be: "Make haste — slowly."



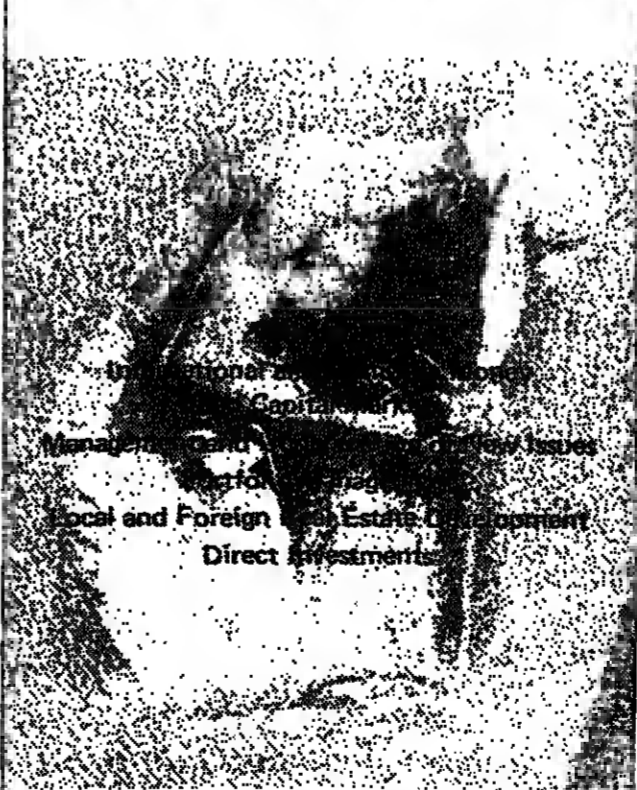
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HOTEL MERIDIEN KUWAIT

Ideal Situation for the Business Traveler

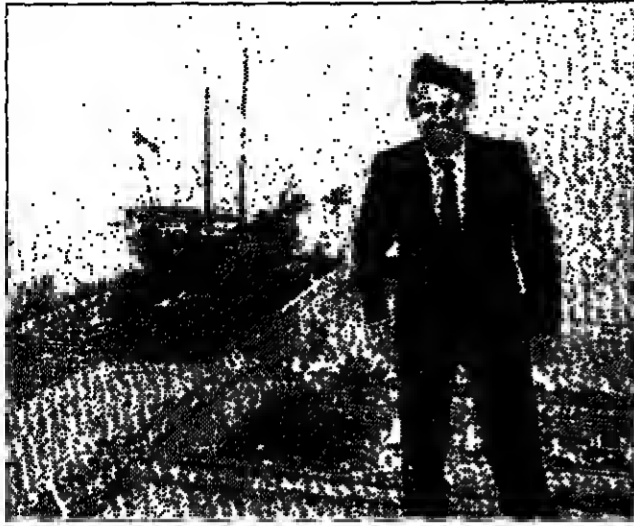
Situated in the heart of the commercial district, 18 km from Kuwait International Airport, the Meridien hotel offers businessmen a superb location and environment from which they may launch their foray into the local market. The Meridien features 377 luxurious rooms with 24-hour Reuters news service on the television, "In-House" channels, as well as Direct International dialing from each room. It has a swimming pool, which is the highest in town, set in beautiful surroundings and inviting all the year round, and a health club which provides excellent modern exercise facilities, free of charge. What is very convenient is that within the same building complex one finds the Sahnia Shopping Arcade which is as good as any in Paris and offers the world's best designer brands. Cooling water fountains in the lobby area combine with the scent of freshly brewed Arabic coffee to give incoming visitors the ambience of a desert oasis. The popular La Brasserie French Bistro on the ground floor area has now superseded the old coffee shop and the Versailles restaurant, referred to as the Government House, provides a quality of food and service equivalent to elite French restaurants. The businessman's requirements are amply taken care of by the Business Center, which has full secretarial services, enabling him to keep in touch with his business contacts worldwide.

مكتبة النهر

ADVERTISING SECTION

ADVERTISING SECTION

Hotel Highlights



Werner Knechtli, manager of SAS Hotel, Kuwait.

"Location, location, location is what matters most for a hotel." That is the guiding thought attributed to Conrad Hilton. "But it is not the only thing," points out Mr. Andreas Mattmuller, general manager of the Meridien, one of the best-placed hotels in Kuwait. "We are mainly here for the businessman, so we try to provide the kind of service which traveling businessmen come to expect, and it is service which counts just as much as location," comments Mr. Mattmuller. The Meridien, a ten-minute walk from the gold souk and only a few minutes more from the joint banking center, is one of the half-a-dozen top-class hotels now competing fiercely for customers. Visitors face an enviable choice of room rates, location, services and a variety of leisure facilities (health clubs, tennis and squash, to name a few).

The Meridien, whose unusual roof-top swimming pool provides one of the best views of Kuwait's expanding city center, has 377 rooms and a staff of 332, which enables it to offer a high standard of service. Its business development center operates until 11 p.m. (telex

business area of the city. An hourly car service from the hotel will drop or pick up the businessman from the SAS lounge. Some local bankers are hoping that SAS will also provide a catering service at the lounge for business lunches.

One of the big attractions of SAS, which has two sports club facilities and a huge tent for entertaining or holding conferences, is the Boom restaurant — a 450-ton sailing vessel lying resplendent in a special dock. With its oiled teak interior, polished brasswork and manilla ropework, it offers diners a degree of character and intimacy hard to find elsewhere in Kuwait. There is a fixed price meal at KD 10 (\$36). Orders are written on a postcard given to diners on arrival. Part of the card is torn off and kept by the waiter, who will then post the rest of the card after you have written your message and someone's address on it — a nice touch. A smaller Boom restaurant can be chartered for meals afloat while sailing offshore.

"Only fresh food" is the big selling point for the Regency Palace Hotel, the first Kuwait hotel to become a member of the prestigious Leading Hotels of the World reservation group. The hotel was formerly managed by the Hyatt International until 1985. Its owners have now put in their own team, headed by a Finn, Mr. Sam-Erik Ruttman, executive resident manager, whose staff of 400 looks after 245 rooms.

Mr. Ruttman has made quite an impact with Kuwait's "foodies" by insisting on only using and serving fresh food. "We have no canned foods, no convenience foods, only fresh meat, vegetables and fruit," says Mr. Ruttman. His brigade of 60 chefs is headed by Mr. Daniel Le Clerc, who has recently come from Lyons, France. Every Thursday

fresh fish, oysters, mussels and lobsters are flown in from France.

One of the newest hotels is the Plaza, which lies just across the street from the Meridien in the new \$90-million Al-Muthanna complex of shops, restaurants and apartments. The Spanish-owned Plaza offers very reasonably priced accommodation in the center of Kuwait and is said to have an excellent Moroccan restaurant.

About fifteen minutes by foot from the center is the long-established Sheraton, used by many visiting delegations and government of-

officials for entertaining their guests. Other hotels in Kuwait include the Hilton, Marriott, Holiday Inn and Frontel. Prices fall in the KD 15-35 (\$54-\$126) range, including tax and service, but all room rates are open to negotiation as hotel occupancy is now only around 40 percent.

Many of the leading hotels are currently offering to help sponsor bonafide businessmen for entry permits into Kuwait. This service, which is becoming more widespread, is very helpful for those with limited contacts. A telex giving relevant details to the hotel manager



Kuwait Towers.

two weeks before the intended visit is all that is necessary.

One of the biggest projects underway in Kuwait at present is the \$137-million beach resort development and the \$67-million Khiran holiday village and marina, now a popular weekend destination for residents. Khiran, which is about 100 kilometers (62 miles) by road from Kuwait city, is a complete tourist village with accommodation for more than 1,000 guests in chalets and apartments. It is being developed by the state-financed Touristic Enterprises Company and managed by Safat Hotels Company.

With its marina, sports fields, swimming pool and shops, Khiran is unique in the Gulf.

Kuwait itself has just about everything to offer in the way of leisure facilities, from beach sports — windsurfing, sailing and swimming — to bowling, ice skating, riding, camel and horse racing, as well as an incredible entertainment city in Doha modeled after Disneyland.

Expatriates living in Kuwait believe it is one of the finest places to work in because it has something for everyone when it comes to leisure pursuits.

Profit in the Air

While many Arab airlines are in the doldrums, Kuwait Airways Corporation, through shrewd management and investment in manpower resources, has managed to make a profit five years in a row. Mr. Ahmad F. Al-Zabin, director general, outlines the company's strategy since its early pioneering days.

A tent with a wireless, a few hundred yards of desert sand cleared of rocks and scrub and a twin-engine Dakota were all that the company, later to become part of Kuwait Airways Corporation, had to its name when it took to the skies in the late 1940s. Today KAC has some of the most modern fuel-efficient jets in the Arab world, including eight Airbus A310s and A300-600s backed up by revamped airport services, a fully computerized automatic booking and reservation system which can handle five million passengers — and five years of sustained profits.

Last year KAC carried 1.6 million passengers with a seat-load factor averaging 61 percent in spite of the economic downturn and re-

gional hostilities, which have cut some of KAC's more lucrative routes.

Like the modern state of Kuwait itself, the national airline has kept abreast of developments since the early 1930s when a British Imperial Airways Handley Page Hermes touched down on a desert strip now known as the city's Green Belt Garden. The Hermes was the first aircraft to land in the emirate. From then on aviation services developed slowly, spurred on only by the search for oil. By 1948 a more permanent airstrip cleared on land at Nuzha and an old corrugated-iron roofed shed served as the terminal, with wireless control from a tent alongside.

A few weeks ago, as part of its continuing modernization of the airport, Kuwait opened one of the most modern airport control towers in the Gulf. The huge slender tower was built by a local contractor, Mohamed Abdulmohsin Kharafi, who also constructed a new \$3 million VIP lounge.

KAC has come a long way since two local businessmen, Ahmad Suod Al-

Khaled and Nisif Yousef Al-Nisif, sat down for coffee one morning in February, 1953, and decided that Kuwait had to have its own airline. Until then, the only air transport was operated by Kuwait Oil Company (KOC). Its assorted fleet of planes included DC-3s, twin Pioneers and Viscounts. These were used to fly oil field personnel and equipment mainly between Kuwait and India.

Just over a year after that "coffee-in-the-morning" decision to start an airline, Kuwait Airways Corporation officially took to the air with one of KOC's DC-3s named "Kazima," which had been used extensively for oil prospecting. The first operational route was a thrice-weekly service to Basra in Iraq.

That first flight on May 17, 1954 put Kuwait on the world aviation map and reinforced its position as a vital stopover and refueling point for international flights between Europe and Asia. Good communications were to prove an important element in Kuwait's development as the leading oil producer and growing financial center of Arabia in the 1960s. Today KAC is one of the few Arab airlines to have

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FROM AIR

MONDAY, MARCH 23, 1987

Morgan's Perpetual

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The Morgan's Perpetual... (text partially obscured)

Stock Indexes

Stock Indexes	12:00	1:00	2:00	3:00
Dow Jones	2,125.00	2,125.00	2,125.00	2,125.00
Nikkei	12,345.00	12,345.00	12,345.00	12,345.00
FTSE	1,234.00	1,234.00	1,234.00	1,234.00
Hang Seng	3,456.00	3,456.00	3,456.00	3,456.00
Hong Kong	4,567.00	4,567.00	4,567.00	4,567.00
Shanghai	5,678.00	5,678.00	5,678.00	5,678.00
London	6,789.00	6,789.00	6,789.00	6,789.00
Paris	7,890.00	7,890.00	7,890.00	7,890.00
Frankfurt	8,901.00	8,901.00	8,901.00	8,901.00
Stocks	9,012.00	9,012.00	9,012.00	9,012.00
Bonds	10,123.00	10,123.00	10,123.00	10,123.00
Commodities	11,234.00	11,234.00	11,234.00	11,234.00
Exchange Rates	12,345.00	12,345.00	12,345.00	12,345.00
Other Data	13,456.00	13,456.00	13,456.00	13,456.00

Other Data: Yields, Interest Rates, etc.

مکان العمل

BUSINESS/FINANCE



Out on Accord... Soviet Union...

ITALY: Proof of Network

(Continued from Page 1) A visit to Paris for more than...

Abduction Plan

Members of Dem... and France...

EUROBONDS

Morgan's Wizardry Turns Perpetual Dross Into Gold

By CARL GEWIRTZ International Herald Tribune

PARIS — My grandmother, who never ceased lamenting my inability to turn garbage into gold, would adore Morgan Guaranty Trust.

There was no mysterious alchemy, just some complicated swaps, which bankers prefer to call financial engineering...

The aim is to transform untradable paper into synthetic instruments that do trade.

Morgan's aim is to transform untradable paper into synthetic instruments that do trade. By doing so, it removes the overhang of paper from the market...

TO ACHIEVE that, Morgan created a company called Pacific Securities Ltd. It is issuing \$130 million of 15-year floating-rate notes and \$130 million of 15-year, highly speculative zero-coupon bonds.

PSL will thus raise \$130 million from the sale of the FRN and \$24 million (18% of \$130) from the sale of the zero-coupon bonds.

Those perpetuals will be bought at 98 percent of face value, or \$880 for each security nominally valued at \$1,000.

Traditionally, dated bank-issued FRNs never paid investors more than 25 basis points over Libor.

See EUROBONDS, Page 19

U.S. Puts Off IADB Demands

Seeks Veto Power Over Latin Loans

MIAMI — The United States and major Latin American nations have agreed to set aside sharp differences over control of the Inter-American Development Bank...

Bank officials said Saturday, however, that Washington had hinted that it might be prepared to compromise on its demand for a near-unilateral American veto over loans made by the IADB.

The United States wants to make the bank part of its controversial strategy to resolve the world debt crisis.

The bank lends funds provided mostly by industrial countries to poorer countries to help develop their economies.

See IADB, Page 17



J. Peter Grace, second from left, surrounded by the three vice chairmen who are his possible successors...

Succession at Grace Is a 3-Way Race

But Veteran Chief Shows No Sign of Quitting Soon

By Daniel F. Cuff New York Times Service

NEW YORK — It is the stuff of business lore: the battle for the executive suite. At W.R. Grace & Co., three men are fighting to be the next chief executive.

Mr. Grace said he got the idea for the competition in part from Citicorp, where he has long been a director.

There is no guarantee that Mr. Grace will pass the baton to any of them. He conceded that events could change, although the current plan is to choose one of the three.

See GRACE, Page 17

Sale of Veba Expected to Be Well Received

By Ferdinand Protzman International Herald Tribune

FRANKFURT — The sale Monday of the government's remaining stake in industrial group Veba AG is expected to be well received by the stock market.

The sale also indicates that the center-right coalition government is pushing ahead with its denationalization plans, despite a currency fraud scandal that may delay the sale of its Volkswagen AG holding.

Veba's shares closed at 253.50 DM on the Frankfurt Stock Exchange on Friday, up from 252 DM on Thursday.

When the lead underwriter, Deutsche Bank, announced the share sale last week, it said Veba's annual dividend for 1987 would be at the same level as in 1986, when the company paid 10 DM a share.

Veba, a sprawling energy and chemicals concern, and Volkswagen, the giant automaker, are considered the most attractive of the government's industrial holdings to be sold this year, according to stock analysts.

The collapse of global crude oil prices lowered sales and earnings at the company's oil division in 1986.

Investment Is Slow, but Signs Grow of Philippines Recovery

By Nicholas D. Kristof New York Times Service

MANILA — After three years of painful and destabilizing recession, the Philippine economy is showing signs of recovery, perhaps even an impending boom.

So far, it is only a thaw in an economic winter that has cut per capita income by 15 percent and nurtured a Communist insurgency.

But economic statistics and anecdotal evidence suggest that the economy turned around late last year, and private and public economists alike forecast a resurgence of growth beginning this year.

"We have finally reversed the economic decline of the last few years," President Corason C. Aquino said at a press conference this month.

An economic recovery is essential if Mrs. Aquino is to consolidate her fragile authority and keep both the right and the left from gaining support.

so the price increase has resulted in a vast infusion of buying power in rural areas.

The coming boom was already evident in the last quarter," said Bernardo M. Villegas, an economist at the business-financed Center for Research and Communication in Manila.

Economists disagree about whether the data portend a modest recovery or a boom. Mr. Villegas, whose economic estimates for 1986 were on the mark, said his calculations suggest a boom.

Most economists say they believe growth of 3 percent to 5 percent is more likely for 1987, a still robust gain for an economy that was near shrinking in recent years.

Even after Mr. Marcos fled just over a year ago, the social disorder and possibility of a coup or gains

money may return voluntarily, because of attractive investment opportunities. Some of it may also come back as a result of lawsuits seeking to recover the wealth of the former president, Ferdinand E. Marcos, and his associates.

The price paid to farmers for corn, or dried coconut meat, has jumped two and a half times in the past year. A coconut monopoly was ended last year, and the money now goes to the farmers.

Inflation dropped from 40 percent two years ago to less than 1 percent over the past year. Interest

rates have also fallen sharply, allowing businesses to begin borrowing again.

Capital flight, which had robbed the Philippines of billions of dollars in recent years, has abruptly stopped. Some of the

by the insurgents forced the business climate.

For now, two forces seem to be at work on the economy: government spending and consumer spending. The government is starting massive housing and public works projects, while shoppers seem to be busier than they have been in a while.

San Miguel Corp., the nation's largest company, is enjoying sales of beer and other products 25 percent above last year's levels, an official said.

But immense challenges remain, including rising demands by workers. Teachers last year threatened to strike unless they were paid a minimum of \$75 a month, although they backed down after being told there was no money to pay them more.

Even after Mr. Marcos fled just over a year ago, the social disorder and possibility of a coup or gains

Huels AG, Veba's chemical division, also had a windfall from lower prices for crude oil, its primary raw material. Although Veba does not release profit figures for its divisions, analysts said Huels is believed to have recorded strong earnings gains in 1986, outperforming much larger rivals.

Veba's oil and petrochemicals division sales fell 38 percent to 9.16 billion DM in 1986, from 14.86 billion DM in 1985.

"Hogs are housed better than we are," one of the workers was quoted as saying.

Simply to keep unemployment at See PHILIPPINES, Page 17

Table with columns: Selected U.S./O.T.C. Quotations, Bid, Ask. Includes Bitter Corp, Chiron, GoodMark Foods, MAG Holdings, NAVAIR, Spectradyne.

Last Week's Markets

All figures are as of close of trading Friday

Table with columns: Stock Indexes, Money Rates. Includes DJ Index, DJ IHL, DJ TRNA, S & P 500, S & P Ind, NYSE Co, FTSE 100, FTSE 30, Nikkei 225, West Germany, Hong Kong, Home Index, Nikkei, MSCI.

Currency Rates

March 20

Table with columns: Cross Rates, Other Dollar Values. Includes American, British, French, German, Japanese, Swiss, etc.

Pact Opens Japan Market to U.S. Fish

By Clyde H. Farnsworth New York Times Service

WASHINGTON — The United States will eventually sell \$300 million more fresh and processed fish a year to Japan under an accord reached by the two governments, according to Clayton K. Yeutter, the U.S. trade representative.

The agreement, reached on Friday, calls for Japan to import more fresh herring and processed pollack products.

Under the pact, U.S.-processed fish will be allowed into Japan without stringent trade barriers for the first time, according to U.S. fishing industry representatives.

The pact comes at a time of rising trade frictions between the two governments.

As fishing is one of Japan's most protected industries, trade officials here cautiously held out hope that the agreement may become a model for liberalizing other food imports, including rigidly controlled beef and citrus.

The pollack accord includes surimi, for which there is a \$1 billion market annually in Japan. Surimi is pollack processed into a paste used

to make artificial crab legs, scallops, shrimp and other products.

Under the arrangement, Japan will effectively eliminate import barriers on processed pollack and will enlarge the quota system for herring exports to all U.S. fishing exports.

In return, the United States will drop an unfair trading case brought against Japan last August under the General Agreement on Tariffs and Trade, Mr. Yeutter said.

The trade office projects that the accord will lift U.S. fish exports by \$85 million this year, growing to \$300 million later in the decade.

The accord was welcomed by the Pacific Seafood Processors Association in Alaska, whose members operate 85 percent of U.S. processing capacity.

Barry D. Collier, the association's president, said, "We feel this is a good faith effort to accommodate our needs in herring and pollack products."

Walter T. Pereyra, president of Profish International, a Seattle-based seafood harvesting and processing company, said the agreement "will help development of the U.S. industry in the North Pacific."

Senator Frank H. Murkowski, a Republican of Alaska, termed the accord "significant," but said that it came "only because we threatened hardball reciprocity."

He was referring to legislation that would have excluded Japanese fish exports so long as American fish was shut out of Japan.

The agreement was concluded in Tokyo just after the Senate voted, 93-0, on a nonbinding resolution calling for retaliation against Japan in semiconductors.

Special People, serving Special People

Advertisement for Jet Aviation, featuring an image of a jet and text describing their services: Fly with Jet Aviation, the leading international aviation organization...

These securities having been placed privately this announcement appears as a matter of record only.

Advertisement for NAB BANK, established in Amsterdam, The Netherlands. Features text: NLG 150,000,000 6% Bearer Notes 1987 due 1992. Includes logos for Rabobank Nederland, Banca del Gottardo, Credit Commercial de France, Kredietbank International Group, Kuwait Foreign Trading Contracting & Investment Co. S.A.K., and Union Bank of Switzerland (Securities) Limited.

Advertisement for ELOF HANSSON - THE GLOBETRAIDER. Text: The international trading house active in pulp, paper, machinery, chemicals, timber, building material, textiles, foodstuffs, steel, consumer goods. Includes logo and contact information: Foista Langgatan 19-21, S-413 27 Göteborg, Sweden.

Weekly International Bond Prices

Provided by Credit Suisse First Boston Securities, London, Tel: 01-623-1277. Prices may vary according to market conditions and other factors.

Dollar Straights

Table listing bond prices for various countries including Australia, Austria, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Sweden, Switzerland, Taiwan, Thailand, UK, and USA.

American Exchange Options

Figures as of close of trading Friday, March 20

Large table of American Exchange Options with columns for Option & price, Calls, and Puts, listing various stock options.

Chicago Exchange Options

Figures as of close of trading Friday, March 20

Large table of Chicago Exchange Options with columns for Option & price, Calls, and Puts, listing various stock options.

Canada

Table of bond prices for various Canadian issuers.

United Kingdom

Table of bond prices for various United Kingdom issuers.

United States

Table of bond prices for various United States issuers.

France

Table of bond prices for various French issuers.

Japan

Table of bond prices for various Japanese issuers.

Western Europe (Other)

Table of bond prices for various Western European issuers.

Scandinavia

Table of bond prices for various Scandinavian issuers.

Saragorhoni

Table of bond prices for various Saragorhoni issuers.

BM Straights

Table listing bond prices for various countries including Australia, Austria, Canada, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Sweden, Switzerland, Taiwan, Thailand, UK, and USA.

European

Table listing bond prices for various European issuers.

Japan

Table listing bond prices for various Japanese issuers.

Western Europe (Other)

Table listing bond prices for various Western European issuers.

Scandinavia

Table listing bond prices for various Scandinavian issuers.

Saragorhoni

Table listing bond prices for various Saragorhoni issuers.

USA

Table listing bond prices for various USA issuers.

Canada

Table listing bond prices for various Canadian issuers.

UK

Table listing bond prices for various UK issuers.

Australia

Table listing bond prices for various Australian issuers.

New Zealand

Table listing bond prices for various New Zealand issuers.

South Africa

Table listing bond prices for various South African issuers.

Other

Table listing bond prices for various other issuers.

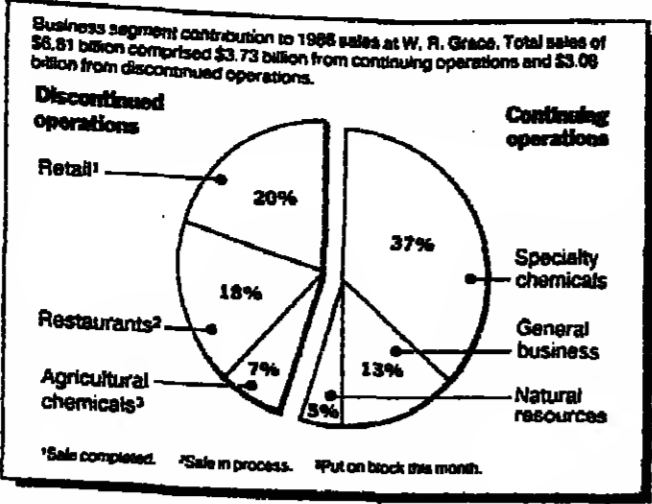
GRACE: 3 (Continued from first page) Triple Wit ARAB Consolidated Balance Sheet December 1986 Assets Total assets Liabilities Total liabilities and equity Capital resources Shareholders' funds

WestLB Fixed Income and Equities Trading - for dealing prices call: Dusseldorf London Luxembourg Hong Kong One of the leading Marketmakers WestLB Westdeutsche Landesbank

مكتبة الأحرار

GRACE: 3 Vie for Grace Job, but Veteran Chief Shows No Sign of Quitting

(Continued from first finance page) said David F. Bartlett, an analyst at Ladenburg, Thalmann & Co. "I think he will stick with one of them," he added.



Only one of Mr. Grace's nine children works at the company, in middle management, and is not viewed as a successor to his father. But although the family now owns less than 1 percent of the company stock, Mr. Grace's power is unabated.

Microsoft Makes Its Founder A Billionaire — for a Day

REDMOND, Washington — William H. Gates 3d was a stock market billionaire for a day, but the market was unkind to the 31-year-old founder and chairman of Microsoft Corp. on Friday and his stock holdings dropped to just a little over \$994 million.

PHILIPPINES: Recovery Signs

(Continued from first finance page) the present level of 11.8 percent, the economy must create 628,000 jobs this year.

Ariadne Seeks San Miguel Stake

MANILA — Ariadne Australia Ltd., a diversified investment company, has offered 3.5 billion pesos (\$185 million) for 38 million shares in San Miguel Corp., the largest Philippine company, a Manila newspaper said Sunday.

IADB: U.S. Demands Are Delayed

(Continued from first finance page) is the biggest contributor, giving 34.5 percent of the bank's capital. Washington maintains that the bank makes too many bad loans, that it takes insufficient account of economic policies that hurt the ability of nations to repay loans, and that it lends money to U.S. adversaries such as Nicaragua.

Triple Witching Hour Seems a Little Less Wicked

By Kenneth N. Gilpin New York Times Service NEW YORK — To Wall Street's immense relief, the predictions about the "triple witching hour" came true last week: It was a shadow of its former self.

with triple witching hours of the past were absent on Friday. Indeed, compared with a number of previous witching hours, this Friday's close was so benign that some predicted the problem might be a thing of the past.

thoughts or concerns around expiration. Conditions may well be improving, but even on a relatively serene day like Friday, the financial power generated by the simultaneous expiration of stock-index futures, stock-index options and individual stock options was awesome.

INTERNATIONAL SECURITIES FUND Société Anonyme. Siège social: Luxembourg, 14, rue Aldringen (R.C. Luxembourg B 7.751). Messieurs les actionnaires sont priés d'assister à l'ASSEMBLÉE GÉNÉRALE ORDINAIRE...

NIKKO GROWTH PACKAGE FUND, SICAV. Registered office: Luxembourg, 16 boulevard Royal. R.C. Luxembourg B 21483. Notice is hereby given, that the ANNUAL GENERAL MEETING of shareholders of Nikko Growth Package Fund Sicav will be held on 30th March 1987 at 11:00 a.m. at the registered office of the company with the following agenda:

ARAB BANKING CORPORATION. 1986 ABC Group Results. Consolidated Balance Sheet 31 December 1986. Assets: Liquid funds 419, Marketable securities 1,056, Deposits with banks and other financial institutions 6,351, Loans and advances 5,999, Investments in affiliates 38, Interest receivable 195, Other assets 162, Premises and equipment 362. Total assets 14,582. Liabilities: Deposits from customers 3,530, Deposits from banks and other financial institutions 8,099, Certificates of deposit 666, Interest payable 159, Other liabilities 428, Proposed dividend 53. Total liabilities 12,935. Capital resources: Term notes and bonds 386. Shareholders' funds: Share capital 750, Reserves 472, Retained earnings 39. Total capital resources 1,647. Profit before loan loss provisions 160, Loan loss provisions 53, Net profit for the year 107, Retained earnings at beginning of the year 26, Profit available for appropriation 133. Appropriations: Statutory reserve 11, General reserve 10, Extraordinary financial reserve 20, Proposed dividend 53. Retained earnings at end of the year 39.

The ABC Group Network. Map showing branches and representative offices worldwide. London (for Continental Europe), London, ABC Banque Internationale de Monaco - Monte Carlo, Banco Atlantico S.A - Barcelona, New York, Houston, Grand Cayman, Head Office: Bahrain, ABC Investment & Services Company - Bahrain, Arab Banking Corporation - Doha & Co Bank and Trust Ltd - Cayman Islands, Arab Financial Services Company - Bahrain, ABC Futures & Bullion Pte Ltd - Singapore, International Bank of Asia Ltd - Hong Kong, Paris, ABC Group (UK) Properties Ltd - London, ABC International Ltd - London, The Export Finance Company Ltd - UK, Milan, Rome, Richard Daus & Co Trust Company - W. Germany, Tokyo, Hong Kong, Singapore, Arab Banking Corporation Daus & Co GmbH - Frankfurt, Arab Bank International - Frankfurt.

NASDAQ National Market

OTC Consolidated trading for week ended Friday, March 20

Table of NASDAQ National Market data, including columns for Sales, High, Low, Close, and Net change for various stocks.

Table of OTC Consolidated trading data, including columns for Sales, High, Low, Close, and Net change for various stocks.

Table of OTC Consolidated trading data, including columns for Sales, High, Low, Close, and Net change for various stocks.

Table of OTC Consolidated trading data, including columns for Sales, High, Low, Close, and Net change for various stocks.

Vertical advertisement on the right side of the page, featuring 'New Int...' and 'ROBOND...' text.

Handwritten Arabic text at the bottom center of the page.

(Continued on next page)

New International Bond Issues

Compiled by Laurence Desvillettes

Table of New International Bond Issues with columns for Issuer, Amount (millions), Maturity, Coupon, Price, and Terms. Includes sections for Floating Rate Notes, Fixed-Coupon, and Warrants.

FRN Prices Improve, But the Shadow Remains

By Carl Gewirtz
International Herald Tribune
PARIS — Prices of dated floating-rate-note bank paper improved last week, but the previous week's upset and the continuing uncertainty about what banks will have to pay to borrow funds in the future is casting a shadow over the international credit market.

The FRN market traditionally has been an important funding source for banks. Loan officers are wondering whether, if banks' borrowing costs are rising, an increase in loan charges can be far behind.

Charges over the past years have declined dramatically — to the point where it is easier to express them in terms of basis points, or hundredths of a percentage point, than in fractions, as has long been the custom.

This decline reflected, in part, low demand from quality borrowers, but more importantly, a fall in interest payments on deposits. Traditionally, banks financed themselves in the interbank market, paying the London interbank bid rate (or slightly below, depending on the quality of the bank and the size of the deposit), and lending at a wide margin over the London interbank offered rate, which is normally 1/4 percentage point over Libid.

But the surge in demand for FRNs in recent years meant that banks could buy deposits even more cheaply at a cost significantly below Libid. Competitive pressures forced banks to share some of this saving with borrowers by lowering lending charges.

That low-cost funding source now seems closed, and banks are increasingly turning to the swap market, issuing fixed-rate bonds in Australian dollars, Euroyen and Canadian dollars and swapping the proceeds into sub-Libid floating-rate dollars. But the swap market is tight, dependent on interest-rate differentials between currencies, and these can fluctuate in the time it takes to read a newspaper.

International Bond Prices

Table of International Bond Prices listing various countries and bond types with their respective prices and yields.

Listing above does not include floating rate notes or convertibles. Coupon, price and yield are expressed in percent. For dollar-denominated issues, bid/ask is shown and yield is shown on a bond basis. Prices and yields are all on a bid basis. Prices with warrants.

Table of Euro Zero Coupons listing various Euro-denominated bonds and their prices.

Table of ECU Straights listing various ECU-denominated bonds and their prices.

Table of AMEX Most Actives listing active stocks on the American Exchange.

Table of NYSE Most Actives listing active stocks on the New York Stock Exchange.

Table of AMEX Soles and NYSE Soles listing stock sales on the American and New York Stock Exchanges.

Table of AMEX Diaries and NYSE Diaries listing stock trading diaries on the American and New York Stock Exchanges.

Table of NASDAQ National Market listing NASDAQ stock prices and trading activity.

Table of U.S. Credit Markets listing various U.S. credit instruments and their rates.

Table of U.S. Consumer Rates listing various consumer interest rates.

Bond Prices Dip, Capping Slow Week

By H.J. Maidenhead
NEW YORK — Bond prices continued to meander in a narrow range late last week before closing slightly lower on selling linked to the expiration of the spot March Treasury bond futures contract.

Intermediate Treasury issues were basically unchanged, and the discount rates on bills were up 3 basis points on all maturities.

The light selling in the cash market on Friday came after a large amount of the March futures was sold moments before the contract expired, according to Chicago traders. This caused some traders, including those rolling March futures into the June delivery month, to hedge their positions by selling bonds short in the cash market.

Given the continued absence of any significant market news, dealers said the focus had shifted to this week's Treasury auctions of two-, four-, and seven-year notes.

Table of U.S. Consumer Rates listing various consumer interest rates.

EUROBONDS: Morgan Transforms Dross Into Gold

(Continued from first finance page)
Thus, Westpac's perpetual would have to drop in value more than another 33 percentage points, from 88 to less than 55, for the speculation in the PSL zero to be considered profitable.

That is certainly true. But surely issuers and underwriters have taken the view that investors should have understood the risks before buying perpetuals.

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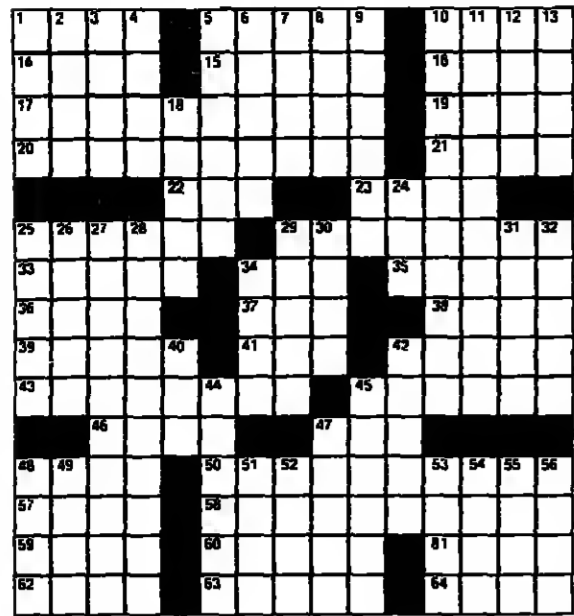
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That is certainly true. But surely issuers and underwriters have taken the view that investors should have understood the risks before buying perpetuals.

SPORTS

SPORTS BRIEFS

France Defeats Ireland for Rugby Sweep



- CROSS
1 Venetian traveler
5 Golden Horde member
10 Novelist
14 Composer
15 Dispense with nuptials
16 Polynesian gesture dance
17 Actress from Wash.
19 Plod in mire
20 Singer from Mich.
21 Seine sights
22 Buddhist branch
23 Anagram for date
25 Subsidized gradually
29 TV performer's reward for reruns
33 Aids a felon
34 Sail afore the foremost
35 Slow, to Mehta
36 Singing sensation
37 Springsteen's birthplace
38 Spanish length unit

Iowa State Ends Iowa's Wrestling Reign

COLLEGE PARK, Maryland (AP) — Iowa State, on Bill Kelly's upset victory Saturday at 126 pounds (57 kilograms), ended archival Iowa's nine-year reign as U.S. college wrestling champion by winning the NCAA Division I title.

Crenshaw Takes Lead in New Orleans Golf

NEW ORLEANS (AP) — Ben Crenshaw birdied three of the first five holes Saturday en route to a five-under-par 67 and a two-stroke lead after three rounds of the USF&G Classic golf tournament.

Howser Recovering

PASADENA, California (AP) — Dick Howser, 50, the former manager of major league baseball's Kansas City Royals, was listed in good condition following a third operation for a malignant brain tumor.

The Associated Press

DUBLIN — France completed a sweep of its Five Nations rugby matches with a 19-13 defeat of Ireland here Saturday. Flanker Eric Champ scored both French tries and right wing Philippe Bérôt kicked a conversion and three penalty goals.

Fourth 'Slam' in Two Decades

By Bob Donahue
PARIS — The grand slam, it is called, a rare, four-for-four clean sweep. The Five Nations tournament in its present form was 58 years old before France did it the first time. But now the French have won four grand-slam campaigns: Christian Carrère in 1968, Jacques Four-

oux in 1977, Jean-Pierre Rives in 1981 and Daniel Dubroca in 1987.

Four slams in 20 years — compared to three for Wales (1971, 1976, 1978), one each for England (1980) and Scotland (1984) and none for Ireland — confirm French ascendancy in Europe. As captain in 1977 and coach since 1981, Fouroux will get a lot of credit.

Two frequent criticisms of Fouroux have been answered. One was that the French lacked discipline. But the penalty-goal tally against them this year was only 12-9, and in three matches they engineered cool comebacks. Wales had a 9-3 lead at halftime in Paris but lost, 16-9; England had a 12-3 halftime lead at Twickenham but lost, 19-15; the Irish were 10-0 up after 12 minutes.

A second criticism had to do with France's failure to do itself justice away from home. But the only two away victories this year so far have been French.

The annual tournament will conclude April 4 with Scotland at England and Ireland at Wales. Scotland, which has won at home against Ireland and Wales, will be aiming to change the pattern with a victory against England (three losses so far) that would leave it in second place with three victories. Either Ireland or Wales can finish third with two victories.

France used 17 players, including Jean-Baptiste Lafond, who replaced fullback Serge Blanco in the 16th minute of Saturday's second half. The crowd gave Blanco an ovation as he shuffled off with rib damage. His 49th match for France was the first he failed to finish.

Ireland's Ringland was the sensation of the day with a virtuoso show of barging and sidestepping that took him past five French de-

fenders for a fifth-minute try in the corner. The move started at an Irish scrum on the French 22, with flanker Philip Matthews making ground and leading scrumhalf Bradley. Center Brendan Mullin passed to Ringland. Kiernan converted.

A second try stunned the French seven minutes later, this time from a French scrum. Bradley caught No. 8 Laurent Rodriguez, and Irish No. 8 Willie Anderson sent prop Des Fitzgerald barreling on. Matthews carried, Bradley pounced and it was 10-0. But that was all for Ireland, except for Kiernan's penalty goal early in the fourth quarter.

Having absorbed early pressure, the French took charge, led by scrumhalf Pierre Berbisier and a scattering cavalry of big loose forwards — Rodriguez, Champ and Dominique Erbat. The French "just kept coming in wave after wave," said the Irish captain, lock Donal Lenihan. "No matter how many tackles we put in, there always seemed to be someone in support ready to take the ball on."

Great Irish defense — and sloppy French handling — spoiled half a dozen scoring chances, as France spent most of the match deep in Irish territory. Bérôt's first penalty finally made it 10-3 at halftime. French tries came in the ninth and 18th minutes of the second half.

The first developed from a French lineout. Lock Francis Haget and Berbisier launched Erbat. Rodriguez and Berbisier carried on from the ruck and lanky Champ sailed across like a guided missile. Bérôt converted.

The second rewarded France's superior shove in an Irish scrum. With Bradley in trouble, left wing Eric Bonneval charged down a low kick by the scrumhalf and sent Champ galloping to glory.



CENTERS IN MOTION — Denis Charvet attacks, with Philippe Sella in support and Ireland's Michael Kiernan defending.

© New York Times, edited by Eugene Malachuk.

DENNIS THE MENACE



JUMBLE

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.
PLIME
ATEAB
ENSCOD
TOSEFF

WEATHER

Table with columns for EUROPE, MIDDLE EAST, OCEANIA, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA. Includes cities like Moscow, London, Tokyo, Sydney, etc.

PEANUTS



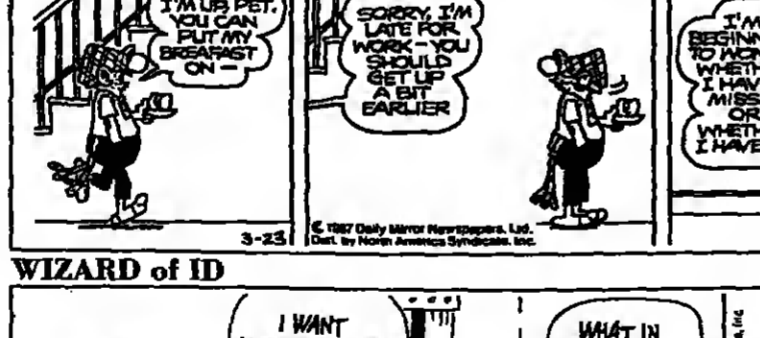
BLONDIE



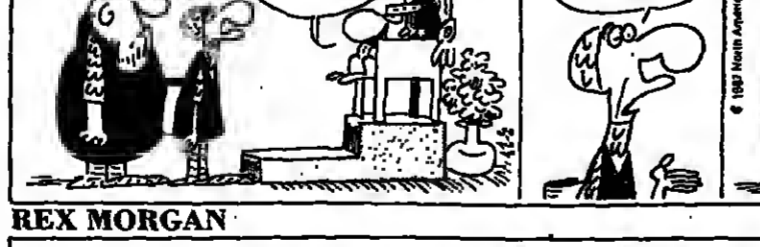
BETLE BAILEY



ANDY CAPP



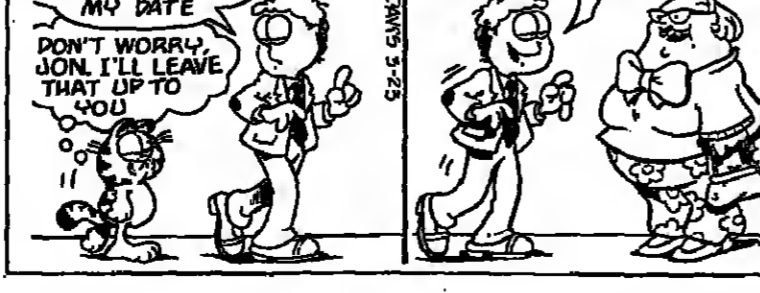
WIZARD of ID



REX MORGAN



GARFIELD



WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam

Prices turned weaker early last week on the Amsterdam stock exchange. A declining dollar, renewing uncertainties in the banking world, and profit taking were among factors blamed for the downturn.

Frankfurt

The Frankfurt stock exchange last week turned in its worst performance since October 1985, as share prices lost 5 percent and the Commerzbank index gave up 67.2 points to close at 1,644.5.

Hong Kong

Bargain hunting on Wednesday and Friday reversed a downward trend on the Hong Kong stock market and helped push the Hang Seng Index up 59.37 points to 2,780.55 at the close Friday.

London

Shares were firmer on balance last week on the London Stock Exchange, helped by favorable response to the chancellor of the Exchequer's annual budget speech.

Milan

Foreign investors returned to the Milan stock exchange last week, contributing to a 3.96 percent rise in the COMIT index after several lackluster weekly performances.

Paris

Share prices on the Paris Bourse advanced last week and analysts said the market appeared ready to break out of the doldrums.

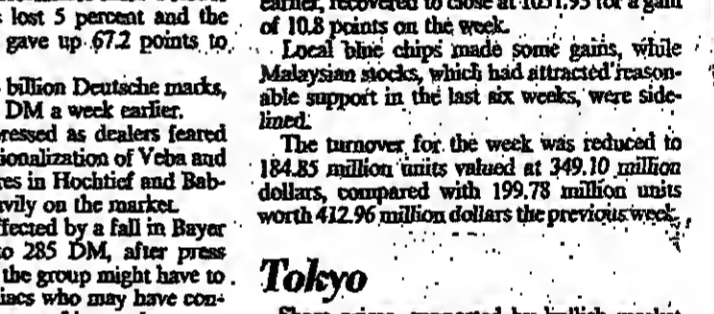
Zurich

The anticipated recovery on the Zurich stock market failed to materialize last week when nearly all Swiss shares closed lower.

Tokyo

Share prices, supported by bullish market trends worldwide, kept rising on the Tokyo Stock Exchange last week, with the two key market indicators soaring to record highs Tuesday and Wednesday in extremely heavy trading.

Stock Index Graph



Source

SOURCE: SCHWAB & PARTNER AG, ZURICH; AMSTERDAM

